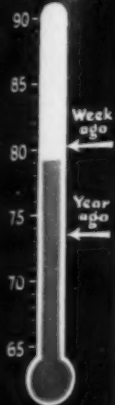


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BUSINESS WEEK

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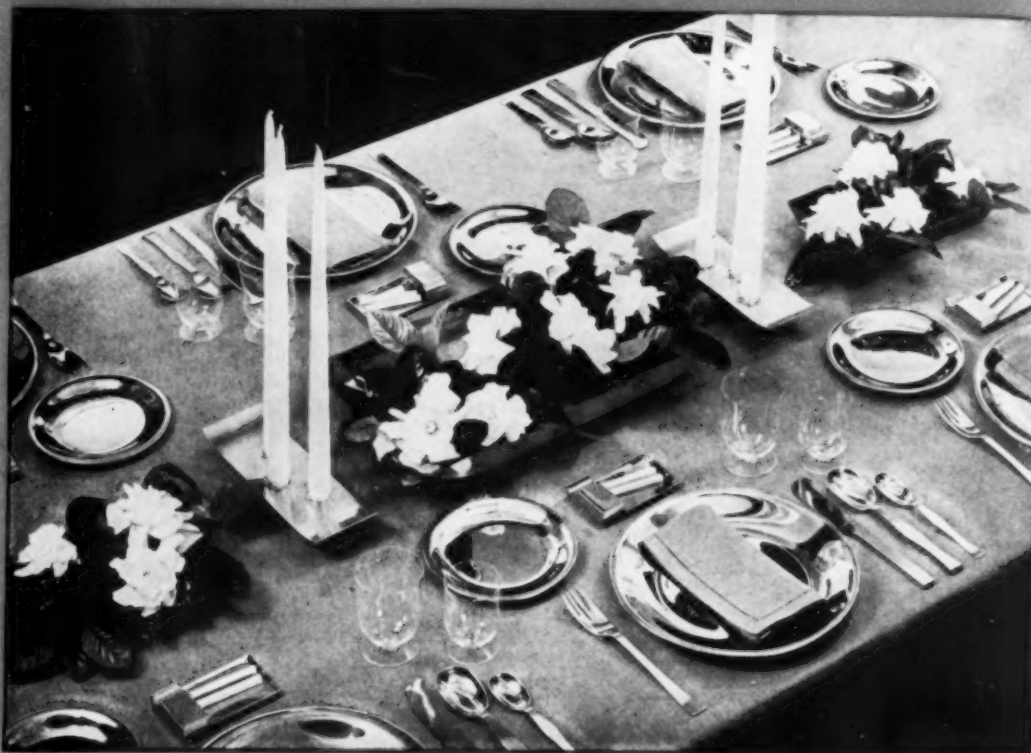
JAN 26 1937



INDUSTRY LEADERS—To the presidency of the National Association of Manufacturers comes William B. Warner of the McCall Co. (right). To the chairmanship of N. A. M.'s board comes its 1936 president, C. M. Chester of General Foods Corp.

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20 CENTS



● IT LOOKS LIKE SILVER . . BUT . .

—it is Enduro, the perfected stainless steel, made only by Republic.

It is the same lustrous, non-tarnishing metal that you see on so many of this year's automobiles, on modern buildings, in the finest kitchens and cafeterias, on the new streamline trains, in chemical plants, food processing establishments! It's durable, easy to handle, easy to work, stays bright—indefinitely—without polishing.

Enduro is the "metal of a thousand uses." Yet it is only one of the revolutionary alloys that have helped to make Republic the

world's largest producer of alloy steels.

Through its wide experience in the alloy field, Republic has been brought into intimate contact with many of the production and merchandising problems that are facing manufacturers today, and has helped in the making of lighter, stronger, handsomer, better products—that sell better and serve longer.

Republic's broad experience—backed by definite facts and figures—may be valuable to you in solving your individual problems. It is available without obligation, through Republic offices in all principal cities.



REPUBLIC STEEL CORPORATION

GENERAL OFFICES: REPUBLIC BUILDING, CLEVELAND, OHIO



Approximately forty cents out of every dollar that Republic Steel takes in, is redistributed in the form of wages among 49,789 employees in thirty-nine plants in twenty-seven different cities. These employees, with their immediate families, number close to 200,000 people, who through their individual purchases help to support thousands of others in their respective communities.

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New Business

GEN. CHARLES GATES DAWES, Chicago banker and former Vice-President of the United States, has uttered several rosy recovery predictions in the last two years which were notable for their accuracy. Now, forecasting greater recovery in the next two years "than we have been ordinarily inclined to feel or believe," he announces that he is incorporating his studies of business cycles into a book soon to be published.

NATIONAL SAFETY BANK & TRUST CO., New York, initial sponsor of the Check-Master no-minimum-balance checking account plan, becomes the first bank which has had to expand its quarters to handle such small checking business. The bank has leased an entire floor for Check-Master Plan lobby and accounting in a building a couple of doors away from its main office.

FREE and unregimented citizens of the United States purchased more than 880,000,000 electric light bulbs during 1936, an increase of 19% over 1935. According to *Power*, duPont lost so many of them by theft that plant engineers caused "Stolen from duPont" to be etched on those remaining. Thefts fell to so low a level that the vestrymen of Christ Church, Roanoke, Va., were inspired to solve a similar problem with the legend, "Stolen from Christ Church."

THE Independence Fund of North America, Inc. believes a woman's "No" means "Maybe," and "Maybe" means "Yes," according to a bulletin which went to its sales staff and was devoted to outlining methods of dealing with feminine clients. The company is an investment trust which sells on the installment plan and has distributed certificates with a face amount of approximately \$37,000,000 since its origin in 1930. About 30 existing companies of this type represent a \$125,000,000 industry which is designed for the small investor who wishes to purchase certificates on monthly payments.

SHERWIN-WILLIAMS, having brightened up all manner of objects these many years, announces formation of an Industrial and Transportation Color Service. The new service is directed by Mr. R. H. Hookway, who, with other Sherwin-Williams colorists, cooperated with in-



How much do your truck tires cost?

The cost of any tire can never be determined until the mileage of that tire is run.

The initial price paid for a tire is unimportant. The final cost is the only basis of comparison.

Recognizing these fundamentals, General Truck Tires have always been built stronger—to do their work better and deliver greater mileage.

It costs more to build a General Truck Tire because of the way it is built. Thousands of truck operators know it costs less to use Generals because of the way they perform.

Your local General Tire dealer is ready to offer you the benefit of his factory-training and practical truck tire knowledge. He may be able to reduce your tire costs materially.



STRONGER All plies are full plies anchored at the bead—no floating "breaker strips"—every inch and every ounce is there for just one purpose—to produce more miles and a lower cost for you.



COOLER They flex uniformly without that heat-producing "hinging action" of ordinary breaker-strip tires. Heat kills the life of cords and cuts down the miles in a tire. Generals are cool—that's why they run more miles at a lower cost for you.



"COMPACT RUBBER" TREADS All tires stretch due to fatigue in the fabric, but Generals, having no idle, half-way plies, stretch least of all. The tread is kept compact and compressed against the road—that's why it produces more miles and reduces your cost.

THE GENERAL TIRE & RUBBER COMPANY • Akron, O.
In Canada—The General Tire and Rubber Co. of Canada, Ltd., Toronto, Ont.

GENERAL TRUCK TIRES

BUSINESS WEEK (with which is combined The Magazine of Business) Jan. 23, 1937, No. 386. Published weekly by McGraw-Hill Publishing Company, Inc., Publication office, 99-129 North Broadway, Albany, N. Y. Editorial and executive offices, 330 W. 42nd St., New York, N. Y. James H. McGraw, Jr., Chairman; Malcolm Muir, President; James H. McGraw, Honorary chairman; Glenn Griswold, Vice-President and Editor; R. H. Putnam, Treasurer; D. C. McGraw, Secretary. \$5.00 per year in U. S. A., possessions, and Canada; \$7.50 per year in all other foreign countries; 20c per copy. Entered as second-class matter December 4, 1933 at the post office at Albany, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1937 by McGraw-Hill Publishing Company, Inc.

Shouldering RESPONSIBILITY



*Like the Navigator — Management Makes
Decisions on Findings Reported by
Instruments*

THE accurate reports furnished by Brown Instruments are indispensable to plant or financial management. They provide proper accounting of labor and material, determine operating efficiency and costs and minimize plant investment, maintenance expense and depreciation charges. Brown Instruments shoulder the responsibility for accurate measurement and control in any plant. They "find out" and report operating and manufacturing conditions to management. Specific information concerning the increased efficiency and economy resulting from a Brown Instrument installation in your plant will be found in the interesting booklet, "Instruments — from the Executive Viewpoint." It is available to any executive upon request. Write Brown Instrument Company, 4525 Wayne Avenue, Philadelphia, Pennsylvania.

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BROWN INSTRUMENT CO
A Division of
MINNEAPOLIS-HONEYWELL REGULATOR CO
BRANCHES IN PRINCIPAL CITIES

dustrial designers and manufacturers in handling special problems of color and finish in building the New Haven's streamlined *Comet* and the New York Central's *Mercury*, and in the construction of various new automobile models. The Sherwin-Williams Paint Engineering Service will work with the new service in dressing up new or old products.

To each sales representative attendant at the recent sales meeting of Pioneer Ice Cream Division of Borden Co., was presented a brand new fountain pen; faces lighted with joy. To each then was handed a sheaf of promissory notes for signature, each calling for a quota of ice cream gallonage in a given month, twelve months in all; faces fell at thoughts of signed commitments. But faces relighted like rainbows after a storm when the announcement came that the first to redeem a note in a given month would receive a prize—that the first to redeem his whole annual commitment would receive \$1,000; second \$800; third, \$600; fourth, \$400; fifth, \$200. Relighted faces broke into broad grins when it was discovered that every district sales manager and the G. S. M. himself were signing similar notes covering all-over quotas.

USE of the sound-on-film method for recorded radio transcriptions is reported an object of experiments by Warner Brothers' sound technicians in Hollywood as a possible substitute for the disc recordings generally in use. The process is described as one by which transcribed programs would be transmitted from film running through a projector in the radio station control room, "perhaps important to television." This would be a reverse play by Warner Brothers who presented the movie industry some time ago with the Vitaphone disc-recorded talking pictures.

OBLIGATIONS of government officials and bankers to explain to the public and reestablish confidence in banking is stressed by the American Bankers Association in its latest study on public relations. Analyzing the problem in detail, the survey is hailed by A.B.A.'s president, Tom K. Smith, as the clearest statement with which any business or profession has ever come to the public.

OHIO VALLEY INDUSTRIAL CORP., Wheeling, W. Va., issues a complete industrial survey of the Wheeling District. Text, charts and maps are planned to give the industrialist interested in the Wheeling District all the facts he needs.

TOKYO subway stations will soon be equipped to show news reels to waiting travelers. Included will be films advertising Japanese winter resorts and nearby scenic spots.

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-THE FRIEND ALL INDUSTRY WELCOMES

FOR nearly a quarter-century the men who run America's mills and mines and factories have thrown open their doors to the G.T.M.—Goodyear Technical Man. Long ago they discovered that the G.T.M.'s mission was to serve them in their endless fight for greater efficiency and economy. They came to know him as a friend who spoke their language; a practical man who could listen intel-

ligently to their difficulties and understand their specific needs in mechanical rubber goods.

They liked him because he did not pretend to know it all; because he went out into their plants to learn exactly what superintendents, foremen and mechanics wanted in performance; because he carefully analyzed every stress and strain, torque and tension, to determine the construction that would best

deliver that performance. And over two decades' experience has proved to them that the G.T.M.'s careful specifications and Goodyear's vast skill in compounding rubber to withstand any operating condition mean great savings—both in longer-wearing mechanical rubber goods and lower operating costs. That is why industry welcomes the G.T.M. as a friend—a friend whom it will pay you to know!

THERE'S A
GOOD YEAR
BATTERY
NOW!

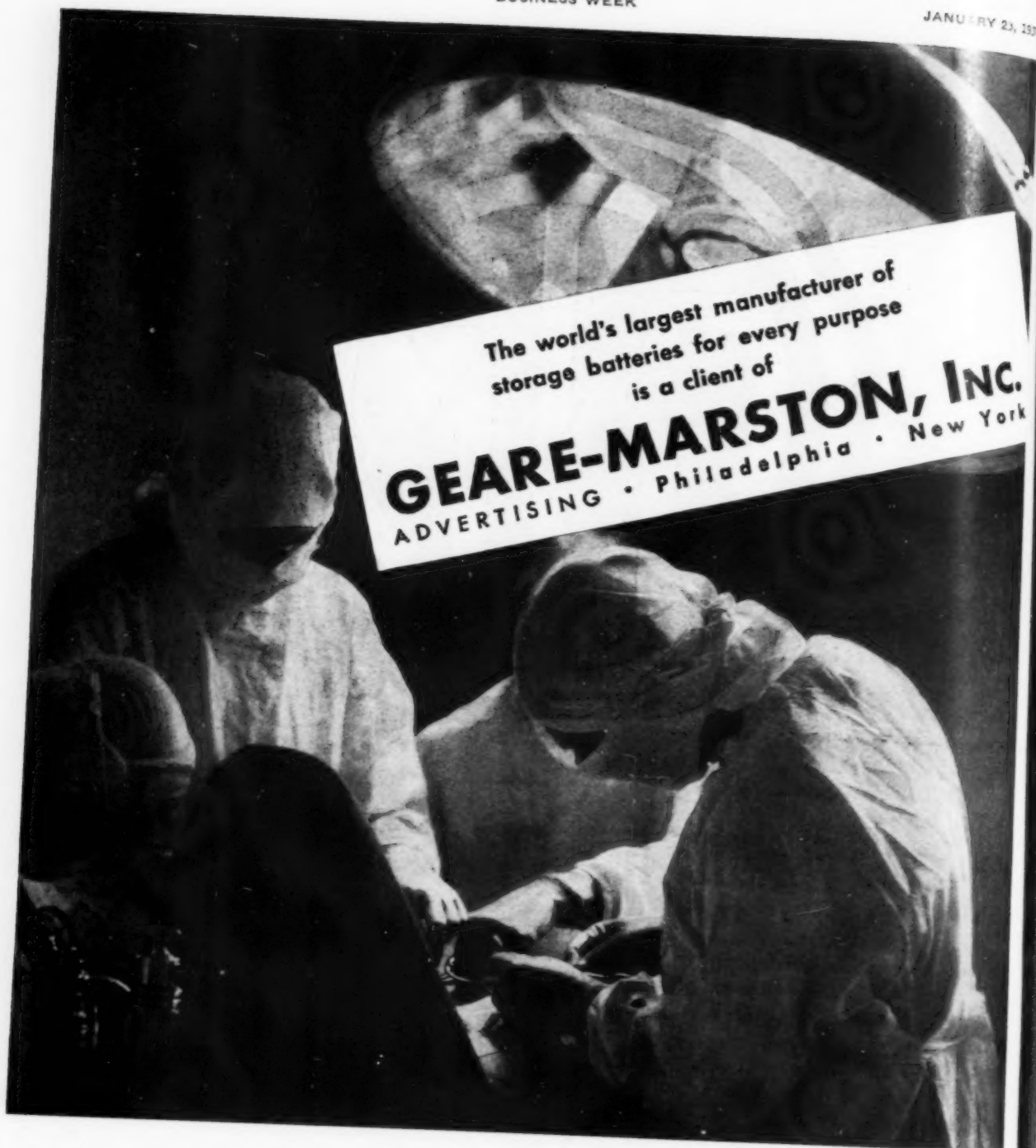
To bring the G. T. M. to your office just send the word to Goodyear, Akron, Ohio, or Los Angeles, California—or the nearest Goodyear Mechanical Rubber Goods Distributor.

THE GREATEST NAME

IN RUBBER

GOOD YEAR

BELTS • MOLDED GOODS • HOSE • PACKING • MADE BY THE MAKERS OF GOODYEAR TIRES



The world's largest manufacturer of storage batteries for every purpose is a client of

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ADVERTISING • Philadelphia • New York

AN emergency! For minutes the surgeon has been busy—intent on saving a human life. Keen eyesight guides his practised fingers—there dare be no failure of the light.

There are many causes of current interruption that are beyond the control of the ever-vigilant utility companies. Modern hospitals take no chances. If power wires should be snapped by storms, fires, floods

or accidents, many hospitals have Exide emergency lighting battery systems that instantly and automatically supply unfailing light.

It is not by chance that hospitals entrust this vital service to

Exide Batteries. They know from long experience that they can put their faith in Exide dependability.

Guided by these facts, you need never rely on guesswork when you buy a new battery for your

car. You know that Exides are dependable . . . that they have proved themselves in the most important services for nearly half a century. Is there any other battery which so thoroughly merits your confidence? Exides are priced for every car-owner. Look for the Exide Dealer Sign—symbol of honest service.

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Philadelphia . . . The World's Largest Manufacturer
of Storage Batteries for Every Purpose
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Washington Bulletin

WASHINGTON (Business Week Bureau)—President Roosevelt will keep left of center in his New Deal, will continue to make the federal government more important and powerful—disregarding such principles of the private profit system as conflict with his program and weakening control by private capital. Details are still lacking, both as to executive action and proposed legislation. No agenda for this session of Congress has been laid down. Actually none is perfected, even in the President's mind, and there was never a chance it would be aired in the opening address to Congress, the budget message, or the inaugural address.

Piecemeal Procedure

Plans will come bit by bit as the President determines on each policy. They will come in separate messages, often in mere verbal directions to Administration leaders and cabinet members and in acceptances of resignations or refusals to accept them. But there is no doubt remaining as to the general theme. It will be progressive to the point that some will call radical. Political, not business success, is to be esteemed in the sort of government and economic system he proposes to create. Emphasis will rest not alone on the power of the government under the Constitution to do anything which the Administration feels is indicated but also on the necessity for such government action in the interest of all classes of people.

Clipping Court Wings

Premature revelation this week of Roosevelt's intention to call a conference on the Supreme Court's structure, functions, and procedure is evidence that he is considering a practical means of dealing with this obstacle to the New Deal program. However, Sen. Minton may have been taking too much for granted in hinting that the Supreme Court's power may be curbed. What the President has presently in mind, according to well-informed sources in the Administration's legal fraternity, is to clip the wings of the lower courts which by multiple injunctions in crop control, utility regulation, and other cases have practically paralyzed New Deal operations long before final decision by the Supreme Court. Much confusion also arises from diverse decisions by lower courts of equal jurisdiction.

Limit to the Limiting

Any assembly of judges, lawyers, and legislators that the President convokes will have opportunity, of

TVA CAN, TVA CANT

The present legal status of the Southeastern power argument stacks up like this: The Federal District Court in Tennessee has enjoined any further expansion of TVA power activities anywhere; TVA says it can be sued only in Alabama; the Federal District Court in Georgia says the Tennessee injunction does not apply in Georgia, and TVA is free to go ahead with its plans there. Federal Circuit Court in Ohio is scheduled to smooth matters out when it gets around to it, but this fails to simplify matters now.

course, to explore the possibility of limiting the Supreme Court's appellate jurisdiction, but the chance of accomplishing that is slight. The power of Congress, especially under Article III, Section 2 of the Constitution, to make exceptions and regulations concerning the Court's jurisdiction has been upheld by the Court in half a dozen cases which had the effect of relieving it of the burden of innumerable petty actions. This would be a weak precedent, however, upon which to base a hotly disputed law. It is not difficult to imagine that the Supreme Court might hold there were limits to such congressional authority!

So Far—But No Farther

No more dramatic evidence of the White House's power over Congress could be sought than that offered by Carter Glass when he steam-rolled Sen. Vanderberg's demand for an audit of the two billion dollar stabilization fund and placidly accepted Sec. Morgenthau's word that there had been a profit. But that doesn't mean the boys won't tear the Roosevelt government reorganization plan apart. It's the essence of good politics to be regular as many times as possible just before insuring.

Anti-Trust Actions Ahead

Corporation lawyers are preparing for a busy time as Robert H. Jackson

succeeds John Dickinson as assistant attorney general in charge of anti-trust activities. As counsel for Internal Revenue Bureau, Jackson made a reputation as champion litigant, forcing court trials, regardless of previous precedents against government in similar cases unless he could collect liberal "nuisance value" compromises.

Solving Air Accidents

Air accidents, bunched by chance, have the Air Commerce Bureau, legislators and operators running around in circles. But there is nothing that they can do all at once. It is granted that aids to flight are at fault. These devices will not—cannot—be improved quickly. Occasional accidents will continue, as they have at sea for centuries. But air mileage risk is as good as or better than that for automobiles. The next important advance will be above-weather flying.

Eye Swanky Air Titles

"Air marshals," "vice marshals" and "commodores" will be provided if Rep. Wilcox of Florida has his way about the new land air force. Army generals do not take kindly to title of "marshal." Foreigners might misunderstand their rank—hostesses might even seat them above four-star admirals. Old-fashioned seadogs resent belittling of historic glamour attached to "commodore." Yacht club commodores are bad enough but they are not official.

End to Subterfuge

In finally tackling direct ship subsidies as a substitute for stupid and misleading "mail subventions" to help keep the American merchant marine on the high seas, the Maritime Commission will probably lick a century-old prejudice which has tied Congress' hands since American shipping was crippled in the War of 1812.

More Vessels, Less Need

Maritime Commission's action seeking construction of modern ships by banning sale of laid-up vessels creates a curious paradox, as maritime strike goes merrily on and Congress plans to bar American flag ships from any commerce with belligerents in war-time.

Quarterback Policy on Utilities

Appointment of Benjamin V. Cohen, co-author of the holding company act, as counsel for Ickes' power policy committee is tip-off that utilities will find little comfort in its findings. The President has no intention, however, of cramping his future tactics by publicly favoring either Lilienthal's fight-to-a-finish attitude or Dr. Morgan's peaceful-penetration



University of Maryland Hospital Dispensary



Four of the 14 buildings in the University of Maryland Group heated by Webster Moderator System. The buildings, left to right: Dental Pharmacy Building, Pathology Building, Medical Building, Administration Building.

IMPROVE HEATING IN 14 UNIVERSITY BUILDINGS

**Webster Moderator System Gives
University of Maryland Group
Comfort and Economy**

HEATED BY DISTRICT STEAM

Baltimore, Md.—The Webster Moderator System of Steam Heating was installed in 14 University of Maryland buildings in 1935, as a result of economy and comfort provided by the system in the new University Hospital during the previous year.

At the end of the first year's operation, of the new University Hospital, the heating installation, a combination of district steam service and the Webster Moderator System, had made a very satisfactory showing. A survey of the other University buildings indicated that a saving of approximately 25 per cent could be effected by abandoning the private heating plant and applying Webster System Equipment.

Included in this extensive heating modernization program were the remaining six buildings in the Hospital Group and the eight college buildings of the University of Maryland in Baltimore. The Hospital Group includes the Dispensary, the Dispensary Annex, the Laundry, the Nurses' Home and Annex and the Superintendent's residence. The four-story Dispensary, formerly the old Hospital, was also extensively remodeled. The college buildings now heated by Webster Moderator System are the Dental Pharmacy Building, Law Building, Pathology Building, Church Building, Gray Laboratory, Medical Building, Administration Building and the Library.

During this first season of operation in these 14 University buildings, the Webster Moderator System is meeting the varying requirements of classrooms and hospital buildings, and effecting substantial economies in steam consumption.

If you are interested in heating new buildings, or in improved heating service and lower heating cost in your present building, address
WARREN WEBSTER & CO., Camden, N. J.
Pioneers of the Vacuum System of Steam Heating
Branches in 60 principal U. S. Cities—Estab. 1888

policy. His future strategy in reaching a goal of cheap and abundant power will not be uncovered by the flare-up between the two TVA directors, nor by the Ickes committee's report, which insiders say is already decided upon. This will state general objectives only, recommend establishment of a general staff (probably the Federal Power Commission) with power to adjust detailed policies to the exigencies of the moment.

Electricity for Art's Sake

Greek temple designs for power plants, Parthenon designs for transformer stations, and something Delphic in plans for executive offices may be expected if Frederic A. Delano has any influence on the new Roosevelt committee to formulate power policy. It's the first time most Washingtonians knew the President's uncle was interested in electricity, excepting for flood lighting as classic facades.

Ghost-Written?

Members of Major Berry's Council for Industrial Progress probably read in the papers this week that he has submitted to President Roosevelt their recommendations for establishment of minimum wage and maximum hour standards. Strange as it seems, they bear a confused, even if unacknowledged resemblance to uncopied proposals previously advanced by Donald Richberg.

Filed for Reference

The Berry's Council's recommendations to ban sweated labor have been added to the heap of those which Roosevelt has referred to the Justice Department. There they will stay until the Administration is ready to deal with the wage-and-hour question. Child labor will await the outcome of the President's efforts to induce at least 12 more states to ratify the 1924 amendment.

Fighting Sugar Tax

Domestic sugar producers, claiming 180 votes in the House, hope that they will be able to hold Sec. Wallace's proposed processing tax down to $\frac{1}{4}$ ¢ a lb. on refined sugar. Even this, they assert, is more than the benefits that would be paid to beet and cane growers. But if the whip is cracked over the big administration majorities, Congress will put a tax of $\frac{1}{2}$ ¢ or even a whole cent on the breakfast table.

Stream Pollution Again

Legislation for prevention of stream pollution is of that perennial type that sooner or later gets through Congress. Again this session it looks like "later," although Sen. Lonergan of Connecticut is pushing his bill

for strict federal control. The Barkley-Vinson measure for a cooperative federal-state setup which passed the House last session is preferred to the Senate bill by the majority of industrial interests and state health officials and would go through if Roosevelt got behind it. Action is recommended by the National Resources Committee but so far the President has not raised a hand.

Japan Hampers Reciprocity

Japan's threat to competing nations in preparing to boost tariffs, with hope of increasing exports and decreasing imports, raises a more serious obstacle to Secretary Hull's dream of unfettered world trade than does selfish congressional opposition to reciprocal trade treaties. Meantime Japan's licensing of exchange to guard against profiteering until new system goes into effect will be highly embarrassing to American firms with export contracts with Nippon.

Mussolini Makes a Move

Italy has sent out feelers concerning resumption of negotiations for a reciprocal trade agreement. Just two years ago the State Department announced its intention to seek agreement with Mussolini's government, but the Ethiopian scrap and the embarrassing question of sanctions put proposal into the discard. Hull still has a deaf ear to Italy's new overtures, but response will not be long delayed unless extension of the Reciprocal Tariff Act runs into an unexpected snag.

Friend at Court

Tremendously in favor of the Hull reciprocal trade agreement policy, and actual negotiator of the agreement with Canada, Henry F. Grady, former head of the trade agreements section in State Department, is expected in his new League of Nations post at Geneva to be decidedly influential in helping to eliminate world trade barriers.

Parliament Pattern

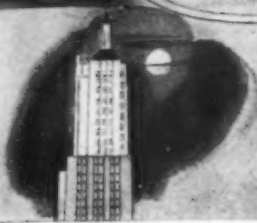
Government reorganization plans have revived discussion of a perennial proposal that, following British parliamentary practice, cabinet members be given the right of the floor in either house to defend legislation which they espouse.

State Security Laws Snarled

Helter-skelter enactment of state unemployment insurance laws threatens to subject many employers to payment of double tax. Many technical questions involving employers' rebate of 90% of the federal tax remain to be answered by the Bureau of Internal Revenue as Jan. 21 approaches.



THIS TIME IT'S THE FINISH



*... a Sensational New Type of Reflector
spotlights little-realized facts about Aluminum*

● Sensation of the reflector industry is the new Alzak* Aluminum reflector, now being featured by several manufacturers.

It's news, because it is a good reflector that stays good.

The original reflection efficiency (as high as 85%, depending on type) is maintained under severe conditions of temperature and exposure because the patented finish is flint hard, and unaffected by ordinary abrasion. It is not affected by moisture, nor by common forms of corrosive attack. It is easily cleaned with soap and water.

What a reflector! What a finish!

The final, hard surface comes from an electrolytic treatment called the Alumilite process.* It gives Aluminum the hard surface which is so valuable on cafeteria trays, streetcar handrails, automobile pistons, and innumerable other ap-

plications. The surface appearance may be varied by process control; it may even be dyed to obtain beautiful color effects.

If you are looking for eye-appeal, this may be the answer. Or it may solve other surface problems for you.

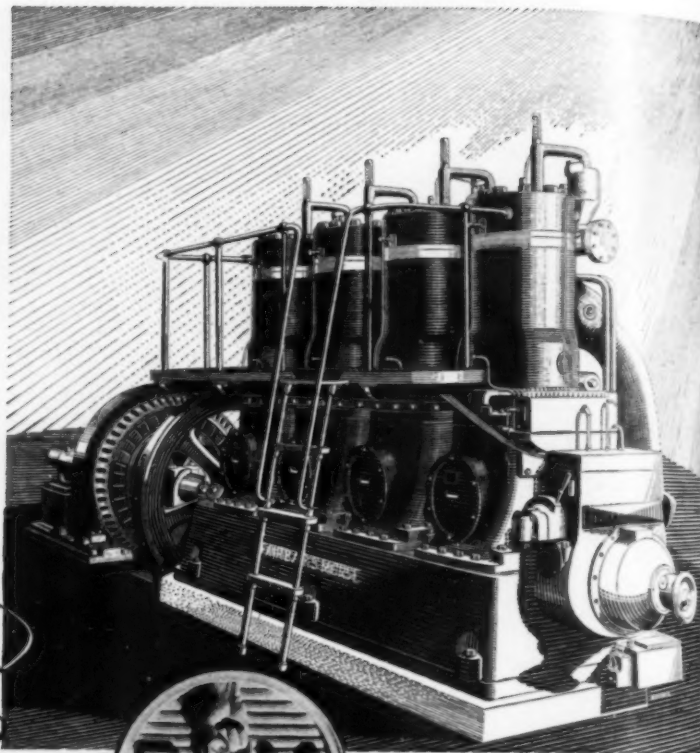
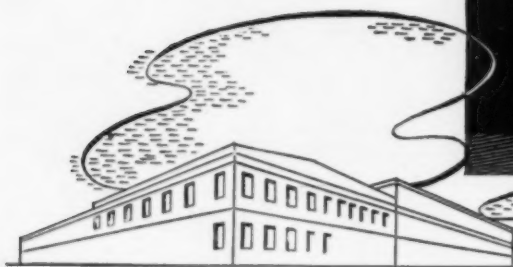
You can get eye-appeal a hundred other ways with Aluminum. With eye-appeal you may also get unusual corrosion resistance, abrasion resistance, or new and interesting surface textures. No other metal, few other materials, possess such infinite possibilities for variety.

It takes a whole book to describe the high spots of the many methods of finishing this versatile metal. Send for it. Use it. And count on help from us, too, whenever you say the word. Aluminum Company of America, 2104 Gulf Building, Pittsburgh, Pennsylvania.

* Patented

ALCOA  ALUMINUM

CUTLERY MAKER
SLASHES
 HIS POWER BILL
73%



WHEN HE INSTALLS AN F-M DIESEL TO POWER HIS FACTORY

Since the late days of the Civil War, the Goodell Company has been making fine cutlery in its factory at Antrim, New Hampshire. Early in 1935 its executives decided that its power bills had to come down—that purchased power at $2\frac{1}{2}$ ¢ per kwh. was far too expensive.

So they investigated every known method of power generation and decided on an F-M Diesel generating set.

The first year's operating figures show that power costs have dropped 73%. Annual savings

will soon retire the total cost of the equipment, and provide a yearly profit in the company's coffers.

By the way . . . what is *your* company paying for its power? A call or letter to the nearest Fairbanks-Morse branch will bring you accurate, specific information on how you can lower your present power costs by amounts as high as 50% to 75%. Write today for your copy of Bulletin D-831. Address Fairbanks, Morse & Co., 900 S. Wabash Avenue, Chicago, Ill. 34 branches at your service throughout the United States.

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 AND WEIGHING
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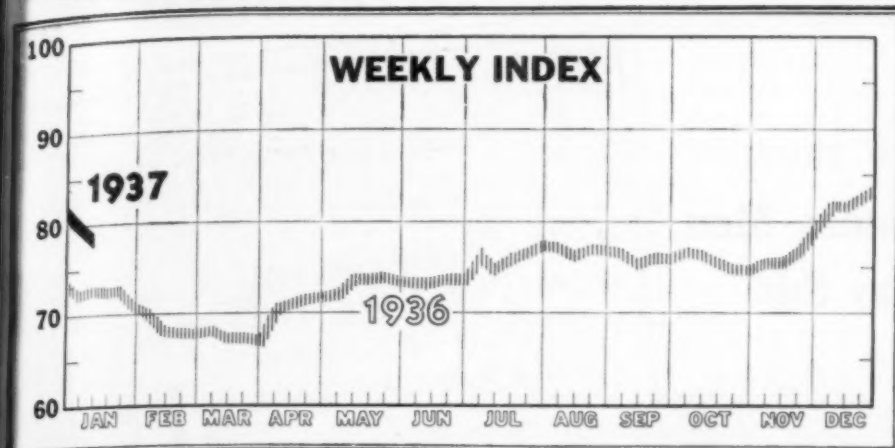
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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	*79.2
Preceding Week	†80.7
Month Ago	83.0
Year Ago	73.2
Average 1932-36	64.4

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
*Steel Ingot Operation (% of capacity).....	80.8	78.8	77.0	49.9	35.9
*Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)...	\$8,205	\$8,282	\$9,012	\$10,095	\$6,142
*Engineering Construction Awards (Engineering News-Record, daily average)...	\$7,324	\$7,315	\$8,309	\$7,591	\$4,133
*Bituminous Coal (daily average, 1,000 tons).....	*1,711	†1,712	1,759	1,494	1,297
*Electric Power (million kw.-hr.).....	2,264	2,244	2,275	1,950	1,694

TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Carloadings (daily average, 1,000 cars).....	116	107	123	102	92
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	72	68	77	62	57
*Check Payments (outside N. Y. City, millions).....	\$4,581	\$5,309	\$5,434	\$3,899	\$3,360
*Money in Circulation (Wednesday series, millions).....	\$6,371	\$6,473	\$6,552	\$5,722	\$5,500

PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.40	\$1.41	\$1.37	\$1.12	\$78
Cotton (middling, New York, lb.).....	13.04¢	13.05¢	12.78¢	11.87¢	9.78¢
Iron and Steel (Steel, composite, ton).....	\$36.55	\$36.52	\$35.18	\$33.34	\$31.02
Copper (electrolytic, Connecticut Valley basis, lb.).....	12.95¢	12.20¢	11.20¢	9.25¢	7.71¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	208.9	209.1	202.7	168.6	126.9

FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Bond Yields (Standard Statistics, average 45 bonds).....	4.14%	4.16%	4.17%	4.35%	5.30%
Interest Rates—Call Loans, Renewal, N. Y. Stock Exchange (daily average)...	1.00%	1.00%	1.00%	.75%	1.25%
Interest Rates—Prime Commercial Paper, N. Y. City (4-6 months).....	.75%	.75%	.75%	.75%	1.65%
Business Failures (Dun and Bradstreet, number).....	186	177	179	241	462

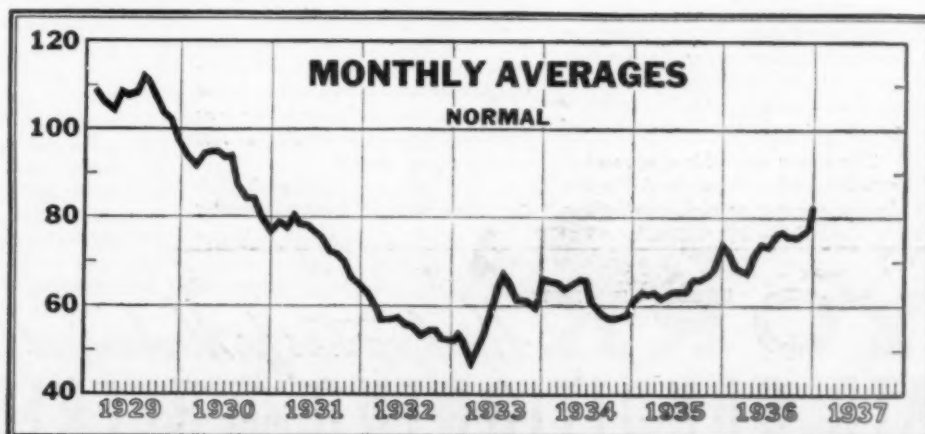
BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,476	2,464	2,463	2,485	2,319
Excess Reserves, all member banks (Wednesday series).....	2,100	2,010	2,046	3,095	1,347
Total Loans and Investments, reporting member banks.....	22,797	22,853	22,875	20,913	19,356
Commercial Loans, reporting member banks.....	4,659	4,672	4,617	3,787	8
Security Loans, reporting member banks.....	3,228	3,258	3,299	3,193	3,993
U. S. Gov't. and Gov't. Guaranteed Obligations Held, reporting member banks.....	10,515	10,543	10,549	9,725	8
Other Securities Held, reporting member banks.....	3,243	3,225	3,257	3,063	8

*Factor in Business Week Index. *Preliminary. †Revised. ‡New Series, Excluding Real Estate Loans. §Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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YORK HAS BECOME "HEADQUARTERS FOR AIR CONDITIONING" BECAUSE OF THINGS LIKE THESE

We didn't ask these
Chinese Business Men
to say this...



獻貢殊特天今 院戲大都新 獻貢殊特天今

！淚之倩同拘一來都人情有下天願
作傑意得利亨金演導名

快使 驚使 泣使 傷使 憤使 興使
然你 懼你 淚你 感你 怨你 舞你

賴婚

羅翠兒 赫遜

WAY DOWN EAST

ROGNELLE HUDSON
ELIM SUMMERWELL
HARDWART HAMILTON

HENRY FONDA
EDWARD DEVOR
ANDY DEVINE

流水逐花桃使忍

亨大小片鉅的看不可不 四樓二樓 角上角下 價座 開十上今 映時平日

This Chinese advertisement was clipped from a Nanking newspaper... read the translation

"Our Freon air conditioning equipment is the latest invention in air conditioning... We paid over \$100,000.00 for the Freon air conditioning equipment which was ordered directly from the York Ice Machinery Corporation. Its superiority over other equipment is due to its automatic regulation which causes automatic rise or fall of temperature suitable for human comfort and according to the setting of the automatic regulating device, the temperature at the beginning and end of the show falls and rises gradually so that people walking in and out will not feel a big difference between the outside temperature.

The reason why this equipment is superior to others is manifold. The following are our special installations:

1. Air circulation regulator to control, condition and clean the air and make the air inside the theatre always fresh and sufficient.
2. The refrigerating machine utilizes the Freon liquid as a cooling medium to the highest efficiency. Besides conditioning the fresh air, it absorbs the moisture so that the perspiration on anybody coming into the theatre will dry very quickly.
3. The air washer utilizes the cooling coils, water sprays, washes and dehumidifies the air before sending it into the theatre so that the air inside is as fresh and dry (but not too dry) as cool air in an open space."

(Signed)

New Capitol Theatre, Nanking

East...and West...see Eye to Eye on York Air Conditioning

York is proud to offer this example of air conditioning from far off China. Installed by York engineers, stationed at our "Headquarters" Branch in Shanghai, it maintains that tradition of engineering excellence which, transcending the mere words and figures of specifications, is reflected in every York job, whether it be for a theatre, small store or mammoth office building in America, China or elsewhere... There are over 60,000 engineered York installations in operation today.

No matter whether you are selling a product or a service, air conditioning can help you sell more of it... and before you decide upon any system of air conditioning, we invite you to use York as a yardstick of value. York Ice Machinery Corporation, York, Pennsylvania. Headquarters Branches throughout the World.

YORK Headquarters for Mechanical Cooling since 1885
AIR CONDITIONING and REFRIGERATION

The Business Outlook

WASHINGTON drew the limelight this week. The first January presidential inaugural in history accounted for some of the interest, and in with hopes of getting from the President's address early clues to future Administration policies toward business. Washington developments in the power field left utilities a bit glum since Ickes, sponsor of many a municipal power program, got the nod in the formulation of a national power policy while Dr. Morgan, chairman of the Tennessee Valley Authority, advocates of reasonable cooperation between government and the utilities, seemed to be side-tracked.

Strike Conferences

Then, too, the strike situation at General Motors shifted its focal point to Washington with President Sloan, G.M., Gov. Murphy, and John L. Lewis (all in the capital during inauguration week) and Administration members busily promoting peace conferences. Settlement of the strike in the glass industry at midweek had injured G.M. competitors against any uppage due to glass shortage, a development in line with union strategy to force G.M. into line.

Strike Effects Mild

Just how much effect on general business activity the various strikes have had is difficult to measure. *Business Week's* index has suffered recent slight relapses, chiefly due to the loss of influence of factors which over a period of weeks bulged particularly large in the bank debit series. As far as the steel industry is concerned, there is no weakness apparent. In fact, most steel districts raised their operating rate on the strength of business from a wide variety of sources. Cotton prices were off a bit, in part due to some nervousness over the possible curtailment of consumption from motor centers if the strike were unduly prolonged. Rubber prices slipped as well, despite the newly announced higher prices for tires.

Wholesale Buying Active

Wholesale markets, particularly in the homefurnishing lines, have been very active, with buyers stepping up purchases over last year on their expanded allowances. However, buyers from strike-affected towns appear to be going slow on any major household appurtenances, preferring to confine purchases to fill-in requirements until the horizon clears a bit. The maritime strike on the Pacific Coast has curtailed wool shipments, putting Boston holders in firm control of the price situation. Atlantic and Gulf

JANUARY FLOODS

Unseasonable floods threatened Ohio, Indiana, Illinois, and Kentucky as rain continued to blanket the states east of the Mississippi, but major industrial sections of the country look for no repetition of the March, 1936, floods that proved costly to utilities and to textile and steel mills, as well as retailers. Pittsburgh viewed the recession of the Monongahela and Allegheny Rivers with considerable relief, feeling the worst has passed, with only a few merchants taking to second story refuges.

ports report that four consecutive weeks have gone by without receipt of California oil. Production has been stepped up in virtually every oil field east of the Coast. Last week total crude output hit a new high figure.

Some Price Breaks

Prices probably continue to be the major background factor in the current business picture, though the labor situation has temporarily distracted attention from the steadily upward flight of raw materials. This week, however, there was a halt in speculative interest that caused the sharpest price break in prices in some time, followed, to be sure, by some recovery. Copper broke in London and second-hand copper in the United States was available at $\frac{1}{4}$ ¢ below the newly posted 13¢ price for first-hand refined copper. Cotton, rubber, wheat, sugar followed suit. Egg prices have been marked down sharply, chiefly because the hens mistook the recent wave of warm weather for spring and started laying down spring quotas instead of the usual restricted winter output.

Cigarettes and Tires Up

On the other hand, both cigarette manufacturers and tire producers put higher price tags on their wares this week, chiefly to offset the higher cost of raw materials and the heavier tax

load under social security regulations. In both instances, the increases amounted to approximately 6%. Non-participating insurance companies, finding it difficult to make both ends meet with the lower yields on investments, are posting a 3% rate increase effective Mar. 1 which will hit particularly retirement and endowment contracts.

Radio Orders Released

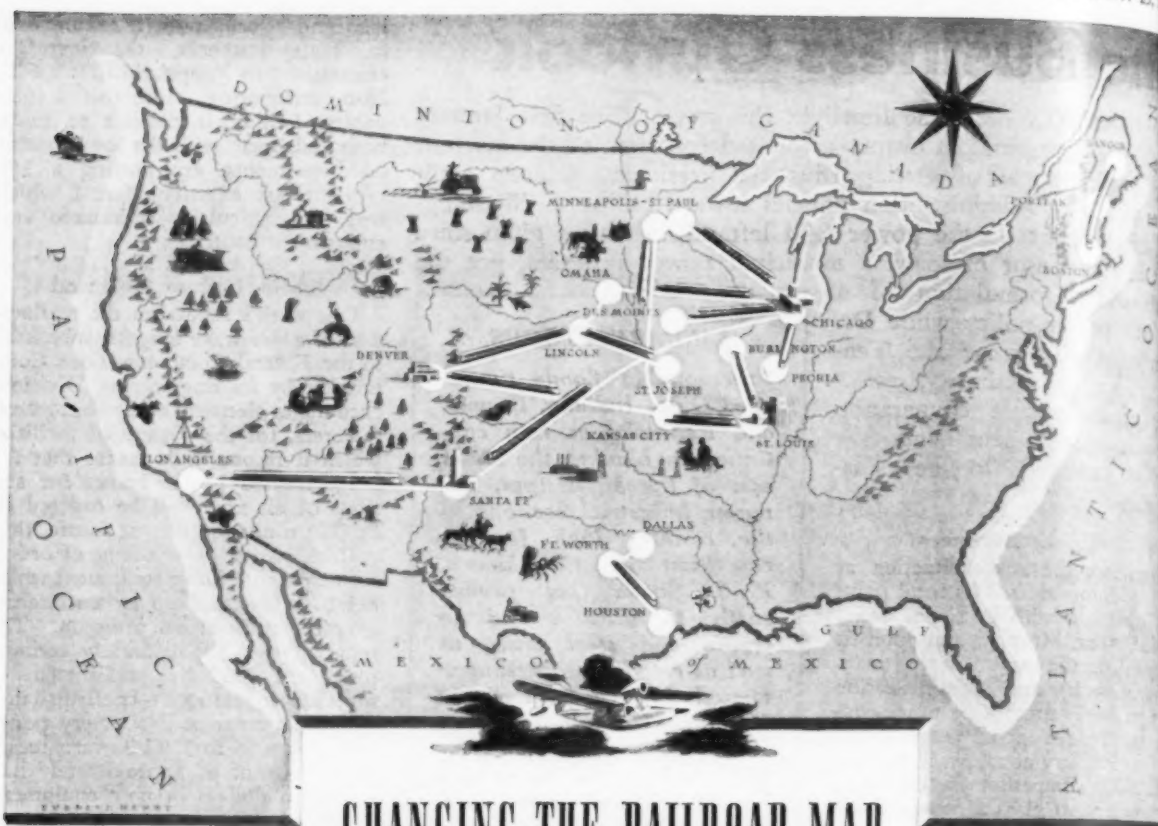
Last week's report on the reallocation of radio wave lengths, submitted to the Federal Communications Commission by its Engineering Division, encourages electrical equipment manufacturers, for the pattern of facilities which it recommends means that the long-expected power boosts for stations of all sizes will be ordered by FCC in a not too distant future, thus unleashing a sizable volume of orders for new transmitting equipment which has been dammed up by uncertainty over the reallocation program. The report (page 38) definitely contemplates the gradual establishment of superpower stations—perhaps ultimately as many as 25. Every power boost from 50 to 500 kilowatts means an investment of approximately half a million dollars in new equipment, \$10,000 a month in operating charges.

Machine Tool Records

Probably no one was more surprised than the machine tool builders themselves when they checked their order books for December and discovered that the business taken in had broken every month on record back to 1919. They attributed the splurge to three factors: price increases, the need for more economical production following the general rise in labor and material costs, and the protracted deliveries available today from the machine building plants. *Business Week* estimates the year's business of the industry to have touched \$154,373,000, the best since 1929 when the total was \$176,426,454.

Textile Triumphs

All branches of the textile industry except silk ended 1936 with a triumphal touch. Cotton consumed by domestic mills broke all records for the last month and put the 12-month period second to the banner year of 1927. Rayon has been breezing along at capacity for months, though the year's gain over 1935 was held to only 7%, chiefly because of lack of production facilities. The current year will see a repetition of capacity activity, since the new mills being built now will not come into operation until 1938. Wool consumption won't quite equal that of 1935, but the tight supply situation has forced prices upward without killing off demand.



CHANGING THE RAILROAD MAP

*Budd-Built Trains
of Stainless Steel*

THOSE who are familiar only with the Eastern states may not yet know how real is the revolution in railroad transportation that has been brought about by Budd-built trains. The great railroads of the West and Midwest already present a new picture from which the whole world of railroading is taking inspiration. Here, where a premium is placed on long-distance travel accomplished in luxury with speed and safety, gleaming trains of stainless steel are writing history!

- As fast as Budd-built trains can be put into service, crowds are waiting to fill them. Never before have trains offered so much to travelers for so small a fare. Never before could railroads operate such magnificent units at so low an operating cost. Never before has such speed been possible—with comfort and safety!
- Two and a half million miles of profitable service tell the story in factual terms.
- Today Budd-built trains are in regular service between the following terminals.

Chicago-Omaha-Lincoln-Denver (Burlington Line)
Chicago-St. Paul-Minneapolis (Burlington Line)
Lincoln-Omaha-St. Joseph-Kansas City (Burlington Line)
Fort Worth-Dallas-Houston (Burlington-Rock Island)
St. Louis-Burlington, Iowa (Burlington Line)
St. Louis-Kansas City (Alton-Burlington)
Boston-Bangor-Portland (Boston & Maine-Maine Central)

And the following will soon go into service:

Chicago-Los Angeles (Santa Fe)
Chicago-Peoria (Rock Island)
Chicago-Des Moines (Rock Island)
Kansas City-Denver (Rock Island)
Kansas City-St. Paul-Minneapolis (Rock Island)

• Budd builds trains of stainless steel because it is the toughest and most beautiful of industrial metals. Not corrosive, four times the elastic strength of ordinary steel, it is welded by the exclusive Budd SHOTWELD process.

Originator of all-steel bodies for automobiles, now used almost universally, the Edw. G. Budd Manufacturing Company has pioneered modern methods in the design and fabrication of steel products.

EDW. G. BUDD MANUFACTURING COMPANY

PHILADELPHIA AND DETROIT

BUDD METHODS SAFELY ELIMINATE DEAD-WEIGHT

JANUARY 23, 1937

Roosevelt Crushes TVA Peace

Overriding Chairman Morgan, who urges cooperation with utilities, President stops "grid" negotiations and names power policy committee.

HOPES for peace between utilities and the government in the Tennessee Valley were all but crushed this week and—once again—TVA Chairman Arthur E. Morgan has been counted out. For President Roosevelt has stepped heavily on Dr. Morgan's toes, and this just after the TVA chief had come out with a long and precise statement on how utilities and federal power authorities could live together and like it.

If Dr. Morgan's statement was designed to put President Roosevelt on the spot, the chief executive was off it like a Japanese gymnast. There is little doubt that the President knew in advance what Dr. Morgan was going to say. There is equal certainty that he must have seen in it Dr. Morgan's challenge for a showdown with David E. Lilienthal, No. 2 man in TVA. And the President's answer was to ban further negotiations looking toward a "Tennessee Valley grid" in which TVA and private utilities would pool properties peacefully.

Schism Is Long-Standing

For a long time now there has been an only slightly secret schism in TVA's top men's thinking. Elderly, conciliatory Chairman Morgan, former prexy of progressive Antioch College, would keep peace, protect private investments,

and at the same time give the country public ownership, where economic, to the extent desired. Youthful, fiery, utility-baiting Director Lilienthal, protégé of the Wisconsin LaFollettes, has preached and practiced direct action, "yardstick" rates, and letting the private companies salvage what they can.

Dissension Curbs Work

The split has been constantly widening and Dr. Morgan threatened to resign last May if Mr. Lilienthal were reappointed. Mr. Lilienthal was reappointed (*BW*—May 23 '36, p. 12) but the chairman was talked out of quitting. Meanwhile, observers feel that the fight is taking TVA's mind off its broader objectives and concentrating attention on the power fight; that personnel is hamstrung by the dissension.

This latest dog fight apparently was precipitated by venerable Sen. George W. Norris of Nebraska, life-long enemy of the utilities and godfather of TVA. Last week he accused the utilities of bad faith in enjoining TVA activities while sitting in at Washington peace conferences.

He drew a quick retort from Commonwealth & Southern's president, Wendell L. Willkie, a genial giant of a man who represents the new blood in utility management and is credited

by outside observers with earnestly desiring peace at any price short of his company's ruin. Mr. Willkie pointed out that the litigation was in the courts when Washington proffered the olive branch. At the peace talks, TVA asked that the suits be withdrawn, and the companies agreed on condition that the authority cease building competing power facilities during negotiations. Each side found itself unwilling to meet the other's terms.

Then came Dr. Morgan's outline of a workable peace policy, followed by the President's apparently final word that the deal was all off. Mr. Willkie, in New York, stated that he could hardly believe all avenues to agreement could intentionally have been blocked. Sen. Norris conferred with Dr. Morgan and came away praising the man but reasserting his conviction that he didn't see how anybody could deal with the utility people.

Committee to the Rescue

With the scrap getting hotter by the minute, the President called time out by appointing a committee to whip into shape a federal power policy. Neither Morgan nor Lilienthal were on it, and the President also went over the head of the standing National Power Policy Committee, of which Mr. Lilienthal is a member.

What is to be expected of the committee may be judged from its membership, and the utilities aren't optimistic. Chairman is Harold L. Ickes, secretary of the interior and public works administrator. Serving with him are Morris L. Cooke, rural electrification



Harris & Ewing

Kepstone

Acme

Harris & Ewing

LEADING FIGURES IN TVA SHOWDOWN—(Left to right) Wendell L. Willkie, president, Commonwealth & Southern, principal affected company; Arthur E. Morgan, chairman, Tennessee Valley Authority and David E. Lilienthal, director of TVA; Senator George W. Norris, Nebraska, godfather of the \$140,000,000 project, again in the limelight of controversy.

administrator; Frank R. McNinch, chairman of the Federal Power Commission; Robert E. Healy, member of the Securities and Exchange Commission, and Frederic A. Delano, vice-chairman of the National Resources Committee and the President's uncle.

Mr. Roosevelt asked these men for a report within two weeks, which, he explained, was possible due to their close association with the problem. It is this close association that worries the utilities. Ickes in PWA and Cooke in REA have long been regarded by the utilities as competitors, and some bitter litigation has resulted. With Healy and McNinch the companies also have had

their troubles, because the commissions of which these two are members have the job of regulating utilities.

Nevertheless, the committee may be able to bring in a formula under which the President can again patch up, so far as external appearances go, the differences in TVA. They may, too, placate the House committee on governmental reorganization.

Utilities, in private, again are questioning if the President's peace overtures in September were not bids for votes in November (*BW—Oct 17 '36, p19*). Meanwhile, many say a fight to the finish in the courts is the industry's only salvation.

Motor Strike—National Job

As expected, the dispute between General Motors and the Committee on Industrial Organization moves to Washington for a settlement.

THE General Motors sitdown proved this week that a major dislocation in a major industry must command national attention.

That the situation was too tough for Detroit, Flint, or Michigan to settle was evident in the change of feeling in automobile cities after G.M.'s Alfred P. Sloan and the union's Homer Martin set out for Washington. Three weeks ago the word was: "It looks like a long, bitter scrap." This week, after shifting of mediation efforts to the national capital, first reactions were: "It looks like early settlement."

Most of the country shared this profound hope, for a tie-up of G.M. protracted into the peak production months could easily make a significant cut in the estimated national income of

1937. Business observers who looked deeply into the stewing cauldron of automotive labor were not too optimistic. The efforts of Sec. Perkins and her top assistant, Ed McGrady, to bring Mr. Sloan and his advisers face to face with John L. Lewis and United Automobile Workers leaders, and the hours of argument with the Lewis group to get them to drop their demand for recognition of the U.A.W. as sole bargaining agency, were aimed only at an agreement to discuss terms, might not mean a lasting peace.

With the glass strike settled, the automobile strikers could afford to delay matters. Whereas last week there was danger that G.M.'s big competitors, Ford and Chrysler, might be pinched by lack of glass and that G.M. would



Picture, Inc.

AND WHY NOT US?—George Boysen, who heads the Flint Alliance, raises an important question while the G.M. workers enrolled in the U.A.W. ask to be recognized as bargaining agents. His group is made up of workers who do not belong to the union, and they probably are more numerous than the U.A.W. supporters. Why, asks the Flint Alliance, aren't we the bargaining agency? (Insistence of their plea brought about cancellation of last week's truce between U.A.W. and G.M.)

not be an isolated victim of the shutdown, this week was different. Maybe now, said strikers, they could make the sitdowns really hurt. And thereby the resolve not to evacuate the plants was hardened.

Since a major premise of the G.M. policy has been that sitdowns constitute illegal seizure of property, and since it declined to talk settlement while such a state continued, the impasse was per-



Business Week

TELLING THE PUBLIC—Labor unions are beginning to take the public into their confidence, much more spectacularly than in the days when a picket's banner read: "This employer is unfair." Typical banners carried by pickets and supporters of



Wide World

the United Automobile Workers, in their campaign against General Motors, not only indicate their general philosophy (left) but tell their hopes for the future, a threat to an industry which usually has been free from labor strife.

JANUARY 23
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fect. Washington was as much impressed by the adamant qualities of both sides as Detroit and Gov. Murphy had been.

In the background, however, loomed figures which caused Washington to speculate on intervention. For one thing, the President hadn't spoken; as deliberations began he seemed to be quite out of touch. But Madame Secretary was sitting in the councils of both sides and was in and out of the White House every so often. And a Presidential move might provide the face-saving needed by one side or the other in a compromise settlement. Others upon whom Washington was keeping an eye were the duPonts, powerful overlords of the G.M. empire.

To some it seems significant that Donaldson Brown, G.M. finance chairman, relative by marriage to the duPonts, and former duPont official, was conferring with Sec. Perkins.

Stalemate Reached

Meanwhile, out in Detroit, the jitters were eased but the stalemate had become complete. After the sudden end to last week's "truce," both sides were even more suspicious of each other's motives than they had been before. The U.A.W. was using 15 minutes each evening on the radio to sell its cause to the public and the sudden settlement of the short-lived Briggs Body strike at the Meldrum plant (making Zephyr bodies for Ford) was looked upon as a union victory. Morale of the G.M. strikers consequently was boosted.

Employers, incidentally, found something to think about in the Meldrum action. Some 1,500 men from other plants picketed the Briggs factory and prevented its workers from entering.

In the glass settlement, union and anti-union men could debate which really won. The union failed to get recognition demanded when the strike was called—which looked like a defeat for John L. Lewis. Union men insisted the concession was well worth making—wages were raised and the glass-making went on. They wanted the glass made, so long as it went to anyone but G.M.

G.M. Strike Not Likely To Cut Industry's 1937 Total

DETROIT (Business Week Bureau)—Despite the shutdown of General Motors, the industry's car production for the year is likely to hit the five-million mark already predicted. Unless the strike lasts two months or longer, which is unlikely, the loss of volume in January and February will be made up in the spring.

General Motors is losing considerable business to competitors while it is down. Not knowing when they can secure deliveries, many customers are cancelling orders with G.M. divisions and switching to other makes. General Motors also will lose to the extent that it probably could have sold every car it could build this year, even if operations hadn't been curtailed by strikes.

Ford is making V-eights at a rate of 6,600 a day, five days a week. It expects to maintain that schedule straight through the winter and spring. It has more glass in stock than any other company, produces about 30% of its own requirements in its own glass factory at Rouge and has just ordered additional glass from domestic and foreign suppliers.

Chrysler has been running all its divisions at close to capacity, Plymouth turning out around 2,500 units a day. However, it was announced on Thursday that glass shortages would slow down all Chrysler divisions next week until glass begins to come in again from Pittsburgh Plate. Hudson is building around 675 cars a day, five days a week, while Packard is experiencing a better than seasonal business. Both Hudson and Packard make their own bodies and have been remarkably free from labor trouble. Graham-Paige is closed because of a glass shortage.

Studebaker this month will assemble 9,200 units and has raised its year's sales quota to 140,000 cars and trucks. Nash, with plenty of glass, is going at capacity. Willys-Overland has built 7,001 of its new models since Nov. 30, has plants at Toledo and Los Angeles.

New-car sales have slumped in southern Michigan, where tens of thousands are idle because of the G.M. strike. People have decided to hold onto their money until they see when their pay checks will start coming in again. The same is true in G.M. plant cities outside Michigan and in cities where large G.M. suppliers are located. However, retail car demand has not been affected in most parts of the country. In fact, shortages of car stocks continue to exist.

No Cars for Salesrooms

It will take General Motors 10 to 15 days to get back to full production after the strike is settled. Operations even then can't go along at a high rate more than a week or two unless the Libbey-Owens-Ford glass strike is ended. And General Motors will go into the spring season with the disadvantage of being unable to stock dealers in advance.



TWO WAYS OF LOOKING AT IT—It all depends on what legislation it is, according to Sen. Royal Copeland. His fight for new food and drug laws seems to be getting somewhere, and his expression at left is indicative of the outlook. But the air

safety inquiry, in which he also is the leading figure, has been kicked around a bit for the past year or so, and Sen. Copeland is far from happy about it, now that this committee is the focal point in a highly controversial national scandal.

Harris & Ewing photos



FIRST EXTRA-FARE SERVICE—New luxury in airplane accommodations was unveiled this week, when United Air Lines started its extra-fare service between New York and Chicago. New Douglas planes, which have room for 21 passengers but which will carry only 14, are used. They make the nonstop trip in 3 hours and 55 minutes, and embody all the safety equipment known to aviation. Twenty-eight of the new planes have been purchased, ten of which will be used on regular flights, carrying 21 passengers, ten will be luxury liners, and eight sleepers. Extra fare, one way, is \$2.05.

Behind the Airplane Crashes

Friends of aviation agree that what's needed is more money, more research, simplified government regulations, and improved personnel.

LOUDER than ever before, and with growing insistence on a showdown, American citizens this week called for action on air safety. Particularly interested were those whose business calls for regular, or occasional, minimum-time transportation. And the Senate committee which is in its second year of investigating the problem found itself deluged with inquiries based on two flat questions—"What's wrong?" and "Who's to blame?"

The most hopeful and optimistic of aviation's friends, even those who like to "keep mum" in the hope that spells of public indignation at air crashes will blow over, are talking facts. From the statements of airline operators, pilots, technicians, and Washington air commerce workers, the prospective air passenger is getting some new data to digest. And from these data may come a revised concept of American aviation and a new policy of protection and supervision.

In brief, after charges, complaints, citations, and excuses from all points of the aviation compass have been studied, the following broad lines of reasoning seem to make the most sense and to attract the most converts:

1. The industry's salesmanship, thorough and energetic, its high degree of competitive spirit, and its spectacular successes in capturing the public with a speed which no other form of transport can equal, have combined to put a premium upon constant adherence to time schedules. Percentages of schedule completion are published regularly by the Bureau of Air Commerce, and each line tries to beat the others. That's business. Some spirit of rivalry is fostered among pilots and companies, and it's a healthy condition unless the rivalry tends to crowd the dispatching regulations. Stockholders, incidentally, who push their companies to performance records, aren't altogether blameless if operators' zeal gets out of bounds.

2. Considering personnel in the government office, most of the practical flying men will grant that individually the bureau employees are able, but they cite bad politics in selection of the personnel. Politicians placed five aspirants for the position of director in the bureau, under one of the aspirants. Such a setup makes for general dissension and lack of efficient operation.

These charges are "old stuff" to anyone who follows aviation news, but

they are right at the heart of the problem. A shakeup in the Air Commerce offices, beginning with the resignation of Gene Vidal, director, has been predicted a long time and this week seemed imminent, but reorganization of the bureau will have very little direct effect on the accident situation unless, under the pounding of public opinion, there is a new approach to the problem of regulation.

A new set of simplified regulations (now approaching completion) will help to clear the air. Aviation is buried under regulations already; simplification and better direction of operation are the needs. Better personnel—meaning men more highly trained and more familiar with their tools—may be needed in some of the federal stations.

Scorn U. S. Technicians

Some fliers, it is said, are justly contemptuous of federal radio men and other technical operators, and believe they are "just kids" handling a job too big for them.

3. Aviation's commercial growth has in some ways outrun development of its aids to safety, and both men and machines have been asked to shoulder a load under which they falter occasionally. A pilot approaching an airport in zero-zero weather (zero ceiling and zero visibility) isn't riding home on a "radio highway"; he has to solve an intricate problem in signals, orientation, and elevation, and do it quickly. And not only are radio course signals, even when correct, a difficult problem for the pilot in tight circumstances, but they don't always work perfectly. Snow, sleet, and rain static interfere severely at times, and signals become a meaningless buzz. And on rare occasions, as may happen to any mechanical equipment, the circuit goes dead completely. In general, the direction beams are reliable for guiding the pilot along his course, although ground elevations sometimes split the beams into parts, bringing confusion to the mind of the flier as to which path he is taking to the airport.

Aids Held Faulty

In other words, ships, engines, and ground facilities are up to the job; aids to flight in bad weather are sometimes at fault.

4. More money—much more—is needed. It is needed for research, for purchase and operation of high-priced equipment, and for hiring of highly trained and high-priced men. Nearly everyone agrees that the cost should be met. The country is not in a mood to value lives in terms of dollars and cents.

5. And end to the "hush-hush" practices which smother inquiries under a blanket of silence, and honest publication of all the facts which bear directly

on the passenger. The Air Commerce offices, beginning with the resignation of Gene Vidal, director, has been predicted a long time and this week seemed imminent, but reorganization of the bureau will have very little direct effect on the accident situation unless, under the pounding of public opinion, there is a new approach to the problem of regulation.

Radio Program

Some progress is being made in making it easier for the public to get in touch with the federal government. The Air Commerce offices, beginning with the resignation of Gene Vidal, director, has been predicted a long time and this week seemed imminent, but reorganization of the bureau will have very little direct effect on the accident situation unless, under the pounding of public opinion, there is a new approach to the problem of regulation.

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Another Senate committee report shows data to transmitters in the country need to be justed. It was on the Bureau of the previous report figured in two

Move for

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It is not clear which department is a question of how. In the end, it depends on the back to the passengers. The Air Commerce offices, beginning with the resignation of Gene Vidal, director, has been predicted a long time and this week seemed imminent, but reorganization of the bureau will have very little direct effect on the accident situation unless, under the pounding of public opinion, there is a new approach to the problem of regulation.

on the passenger's interests, are demanded by thousands of passengers.

All of these points, observers point out, are merely large groupings of essential problems, and the answers will come after a lot of investigation. The scope of the charges and complaints, however, indicates the extent of the job.

Radio Progress Being Made

Some progress is being gained in making it easier for the pilot to keep in touch with ground stations—the new statically-shielded antenna is one of the recent advancements. After a tryout of the new antenna and direction finder by TWA last week, Director Vidal wired TWA's president, Jack Frye, that "it appears TWA has successfully eliminated snow and rain static from the radio reception on an airplane." Other airlines, also, are spending all the money they can on research and development, because they realize it means their business life.

In Washington, activity looking toward thorough revision of the present setup continues unabated. The big meeting of operators and bureau men, scheduled for mid-January and postponed, is tentatively set for early February. A new help in weather reporting began last week, when 100 off-airway stations reporting every six hours began to supplement the United States Weather Bureau service in sharply defining storm areas and movements.

Another blast from the Copeland Senate committee is due, and it will show data to the effect that radio beam transmitters in various parts of the country need to be relocated or readjusted. It will bear down particularly on the Burbank beam, noted in its previous report, and which now has figured in two serious accidents.

Move for ICC Regulation Grows

Pressure is building up for the transference of aviation regulation to the Interstate Commerce Commission, which would act as an interstate traffic cop. The Airline Pilots Association is all for the move, but is against putting the ICC under the Department of Commerce, as suggested by the President.

It is not, however, a question of which department handles the job—it is a question of who handles it, and how. In essence, right regulation depends on right men—which brings it back to personnel again. Impartial observers agree that one of two courses is likely to be taken, in setting up a workable, clear-headed, safe dispatching system. Either there will be government supervision of dispatching—which amounts to letting the government run the business—or there will be close U. S. supervision in selecting private-company dispatchers. The latter step, say many who have aviation's future at heart, would meet with approval.

U. S. Steel's Expansion Program

Additions and improvements will take 15 months to finish and will cost \$60,000,000. Mill with 729,000 tons annual capacity is put into operation.

HARD as it is for an old-timer to visualize Big Steel in any role other than world's largest and most conservative purveyor of basic ferrous products, United States Steel Corp., while maintaining its hold on the rail and bar and structural shape markets, marshals its many subsidiaries into position to meet and beat the "new competition." It is no secret now that the big little fellows like Republic and Weirton and Crucible were teasing if not actually worrying the Corporation by their increasingly adept and profit-producing way of running away with highly profitable specialty business, and carrying with them certain chunks of basic business normally regarded as the Corporation's own. Nor is it a secret that top executives of the Corporation have been working with the engineering firm of

Ford, Bacon & Davis on ways and means to euchre this competition.

It is not stretching imagination too far to infer that one of the first major stratagems decided upon was to fight fire with fire, to meet specialty competition with specialty competition. Inland Steel had not started to operate its continuous sheet strip mill in 1932 for nothing (*BW*—May 25 '35, p. 12); Youngstown Sheet and Tube did not get going with a virtual duplicate of the Inland mill in 1935 just for the fun of it. That there has been and is a genuine market for specialties is proved by figures showing flat-rolled steel alone to be constituting 33% of steel consumed (*BW*—July 4 '36, p. 15).

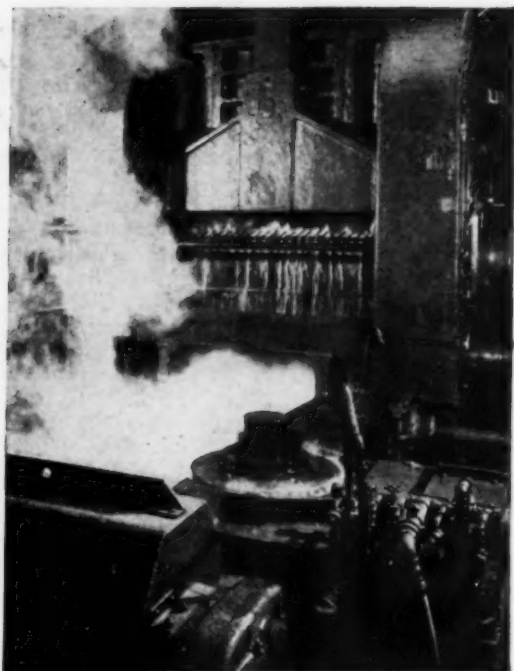
Symbolic and symptomatic of Big Steel's rejuvenation is the new 100-in. semi-continuous plate mill with 729,000

ONLY ONE ANSWER—Bad weather is sure to make flying more hazardous, at certain seasons. The only way to meet the problem is unremitting research, to perfect aviation aids for communication, flight, and landing. In bad weather last week, this loop antenna, shielded against rain, sleet, and snow static, went through rigorous tests, and did its job so well that airline operators and federal supervisors alike are praising it. Its companion device is a radio direction finder (in front of pilot's hand, larger picture) which uses impulses from two radio stations to get accurate bearings.



Acme





Business Week photos

BIG STEEL'S BIGGER PLATE MILL—New 100-in. semi-continuous plate mill whirls into operation at Homestead Works of Carnegie-Illinois Steel Corp., biggest subsidiary. Symptomatic too is the reign of Carilloy president, Benjamin F. Fairless, just turned 47, who in turn has put Robert Graham, just 35, in charge of this newest mill. Though not generally known, there is a genuine shortage of new and youthful steel talent to meet the needs of the newer competition, and the Corporation is meeting it with apprentice schools for high and technical school graduates. There is a need for product and process development, and the Corporation is meeting it by research in 89 laboratories.

Further Expansions in Offing

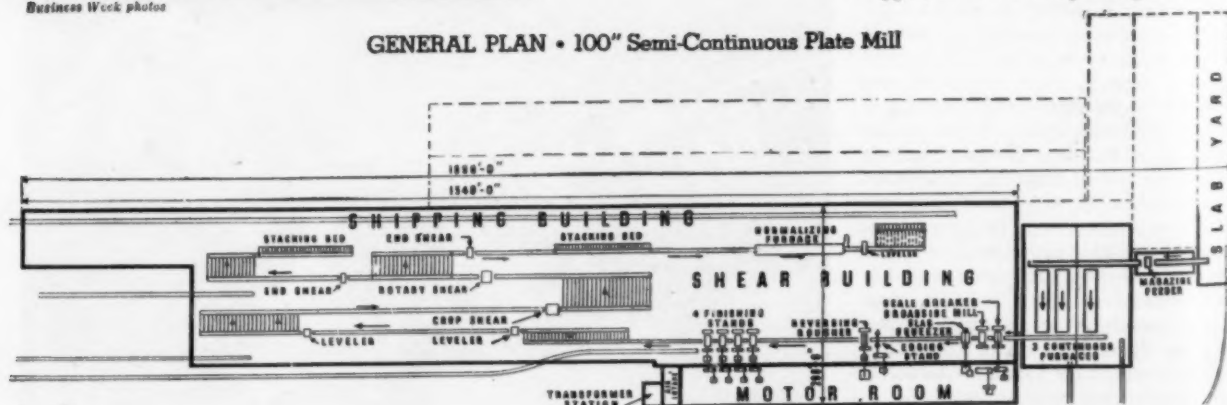
Apparently the end of the story of rejuvenation will be found far in the future, for W. A. Irvin, president of the Corporation, announced to some 80 invited representatives of the national daily and technical press late last week that 600,000 tons of additional annual capacity would be provided forthwith by a new continuous sheet and strip mill to be a part of the Clairton Works in the Pittsburgh district. Included in the new plans will be the rebuilding of a portion of the Edgar Thomson Steel Works, the augmentation of electric power production facilities, and the erection of a new slabbing mill of 1,000,000 tons annual capacity in the same plant, chiefly to supply new requirements at Clairton. Total estimated time for completing new additions and refurbishments, 15 months; total cost, \$60,000,000—a goodly bet, in any man's money, on the permanence and permanent utility of rejuvenation.

Resin Instead of Copper

COPPER is one of the many essential raw materials which Germany lacks.

One of the early announcements of a substitute which has been developed under the Reich's big four-year program to make the country self-sufficient came recently when it was revealed that Germany has been using "baccalite," a form of artificial resin in shells in place of copper, and that it is proving successful.

GENERAL PLAN • 100" Semi-Continuous Plate Mill



A SNACK—the lunch room at Pittsburgh was a proud

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Acme photos

A SNACK—Former vice-president of the United States, Charles G. Dawes, left, in the lunch room during the opening of the Homestead plant of the U. S. Steel Corp., at Pittsburgh. Myron C. Taylor, right, chairman, who with William Irvin, center, was a proud host to several hundred industrialists as the new mill went into operation.

Ringless Ruckus

Court at last hears evidence in patent suit about stockings without rings.

THE Great Ringless Hosiery Case, which deserves such classification, as it involves nearly everybody who is anybody in the stocking-making business, is still making hosiery history in its third year. This week the war between two big groups of manufacturers being fought out before Judge Oliver B. Dickinson in Federal Court at Philadelphia, showed no signs of early settlement. *Textile World's* prediction (made nearly two years ago) that the case might drag on for several years seemed likely to be upheld.

The present court hearing is to air a suit by Textile Patents Corp. and the Julius Kayser Co. against Rosedale Knitting Co. The Textile Patents Corp. has 117 firms licensed to make hosiery under a patent granted Charles Kaufman in 1934, and claims that Rosedale (which has some 70 manufacturers allied with it) infringes this patent.

If the suit were settled quickly—which it probably will not be—the firing would only be just begun. Rosedale is gunning for Textile Patents with a counter-suit, alleging violation of anti-trust laws and demanding damages.

To the layman, the hearings in Philadelphia last week were technical to the

point of being almost non-understandable. But the essential point of the scrap is the so-called "three carrier" method of knitting hosiery, which uses three separate silk cones. This method is said to make stockings free of "rings" or "waves"—and such stockings are plenty popular with the ladies who spend millions of dollars to buy them.

Patent Was Contested

The defendants assert that Kaufman was no pioneer in developing the three-carrier method, that seven other individuals solved it at about the same time and declared that fact at the Patent Office before the Kaufman patent was issued.

It further is asserted that the three-carrier method was in use several years before the Kaufman patent. One of the leading defense witnesses is Hans Luhn, who worked out a similar system and filed for patent about the time the Kaufman application was made.

No matter which way the litigation finally is settled, the right to manufacture ringless hosiery is regarded as very valuable, and the controlling group will count it a great victory if it can shut off the competition. Some indication of the money to be made is found in the figures released during the trial last week, revealing that Textile Patents had received \$868,000 from its licensees to date, at a rate of 5¢ royalties on each dozen hose manufactured.

Sightseeing WITH BAKELITE*

Automobile Industry

EVEN a quick trip through a modern automobile plant reveals many surprising things to the layman. Numbers of different automatic machines, undreamed of only a few years ago, are forming and fabricating precision parts at high speed. But of equal interest is the variety of new materials used, not only in the automobiles, but in making them. In this advertisement we take you through a few of the departments in a typical plant and point out some of the scores of diverse ways in which Bakelite Materials are employed.

When in this one industry alone Bakelite Materials are serving in so many important ways, is it not reasonable to assume that they may be equally valuable in your own production processes or product?



Engineering Department—Here, where the designer's ideas are put on paper, transparent Bakelite Resinoid is used for T-squares and triangles, and other Bakelite Materials for fountain pens and automatic pencils.



Testing Laboratories—All materials specified for automobiles must meet the most rigid laboratory tests. In the laboratory, chemical resisting Bakelite Materials are used for graduates, beakers and other equipment.

*Trade Mark Reg. U. S. Pat. Off.

Bakelite Corporation, 247 Park Ave., New York
Bakelite Corp. of Canada, Ltd., 163 Dufferin St., Toronto

Continued on page 23



CARRYING ON—The progressive leadership of the National Association of Manufacturers, manifested in that organization's work throughout last year: (left to right above) Thomas E. Wilson, of Wilson & Co., 1st vice-president; S. Clay Williams, of the R. J. Reynolds Tobacco Co., 2nd vice-president; Walter J. Kohler, of the Kohler Co., 3rd vice-president. This staff is completed by an effective group of regional vice-presidents.

Happy Hotel New Year

Improved business is attracting investors to hotel bonds, but real profits wait on higher room rates, which lag behind bar and restaurant prices.

HOTEL bonds, well chastened and considerably dehydrated [note to printer: be sure not to make this "hotel blondes"], are slowly emerging from the dog house. Transient hotels have been among the first real estate properties to register gains with improved conditions. Since the wanderlust is the heritage of every true American, since business travelers flit hither and yon as consumption starts upward, benefits to hotels become a matter of course with recovery.

Investors Coming Back

Noting such developments, investors (who wouldn't have touched a hotel bond with a 10-foot pole four years back) are now buying reorganization issues as they come from the sausage mill. Much of this buying is speculative and little of it is discriminating. But the result has been a 31.3% price increase for 1936 in hotel bonds, a greater gain than for any other type of real estate security. A study of representative Eastern hotels made by Amott, Baker & Co. gave the average price of \$1,000 hotel bonds as \$411 on Jan. 1.

Barring resort structures, there has been practically no hotel building in the

past six years. And that was all right, too. 1930 marked the grand finale of a dizzy building era with financing often founded on fantastic appraisals. By 1932 many an operator was ready to walk out and let the bankers fight the pigeons for the property. Repeal of prohibition (Dec. 5, 1933) was like a death house pardon to many a city hotel. What with females following (or leading) men into the bars, increase in food sales, and the general flexing of pocketbooks, improvement since then has been steady.

Horwath & Horwath, hotel accountants, report encouragingly on 1936. In October, for instance, there was a 17% gain in sales (rooms and restaurants) over the same month of 1935. This marked the greatest advance in two years. General room occupancy was 69% of capacity, the best showing since October, 1930. Texas (thanks to its Centennial) registered an October occupancy of 84% and an increase in total sales over the previous October of 65%. New York occupancy (77%) was the best since November, 1927, in spite of a tremendous addition of rooms during the intervening nine years. Cleveland, aided

by its Great Lakes Exposition, showed an occupancy figure 1% under New York. The Chicago figure was 75%. It is known that the improvement continued during November and into the seasonal December decline.

There is in this ointment a singularly persistent fly. It shows in the fact that total October sales were 15% below the corresponding month of 1929. While restaurant sales were 5% short and occupancy 8%, the largest losses were in room sales (25%) and room rates (23%). The last figures locate the hotel situation's weakness.

Cut-and-Slash Days

When the slump cut into transient registrations, the hotels went hammer and tongs for resident guests. All rates were mercilessly slashed (by receiver management especially) and permanent rates usually are about a third less than transient schedules.

The turn-back has come with increasing confidence. Average room rates register an upward trend. The prospect is being stressed by such statements as this from Ernest B. Horwath:

"In September, 1927, room rates . . . averaged \$4.20 a day; in July, 1936, they averaged \$2.97, a drop of about 30%. On the basis of 1,000,000 rooms—which is about the total for hotels larger than 25 rooms—and an average occupancy of only 66%, the loss in room sales is \$811,800 a day or nearly \$300,000,000 a year. In most cities hotel occupancy is nearly back to pre-

depression level to bring the Mr. Horwath the time to to 15% advance to curb travel instances where got away with agers hang by disposition around."

Hotel managers crowd over their business what self-control labor. Most low grade, but factor is in New York around \$50 a week. This an addition the maid al Thus announce this industry some other raised wages infectious.

Hotel Bonds

A curious demand for bonds in the face securities. selection of step with person app New York a convention filled all this, he is making constitute a

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depression levels; it is up to hotel men to bring the room sales to normal."

Mr. Horwath proclaims that now is the time to act, and adds that a 10% to 15% advance in rates is not going to curb travel. He cites encouraging instances of hotel groups which have got away with rate boosts. Many managers hang back because there remains a disposition of travelers to "shop around." It has been found much easier to hike bar and restaurant prices.

Hotel managers are disinclined to crow over the general improvement in their business because they are somewhat self-conscious on the question of labor. Most hotel labor is necessarily low grade, hence low pay. And the tip factor is important. In a typical large New York hotel a chambermaid gets around \$50 a month, a bell-hop \$1.50 a week. The bell-hop makes perhaps an additional \$25 per week in tips and the maid also comes in for this largess. Thus announcement of raised wages in this industry is not as important as in some others. Several groups have raised wages, and such action is usually infectious.

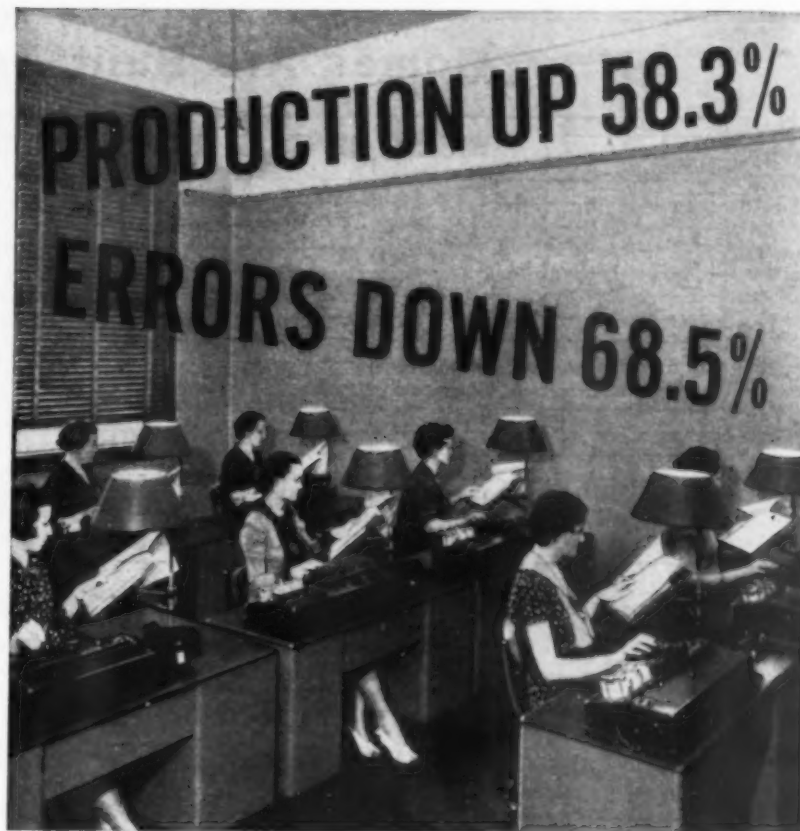
Hotel Bonds Buck Trend

A curious factor in the present demand for hotel bonds is that it advances in the face of general declines for other securities. Lack of logic appears in the selection of securities, keeping it in step with human nature generally. A person applies to a hotel for a room in New York and is turned away because a convention or a football game has filled all rooms. Vastly impressed by this, he is apt to conclude that the house is making money and that its bonds constitute a good buy.

This may or may not be true. What he should examine are the conditions of the hotel's reorganization (usually there is one completed or in the works). The point is how soon the house may be able to start paying on its securities. Several big New York hotels that are getting a huge play in their bars, restaurants, rooms, are still far behind on their ground rents, taxes, and such like. It will take quite a while for their earnings to trickle down to bondholders.

In New York the slump damage has been pretty well cleaned up. Large owners were lenient in compromises and 77B bankruptcy actions helped. Stockholders were washed out of the picture in the first deluge. Bond and mortgage holders have got what there was to get. It is estimated that the shake-down will give the bondholder around 3% return on 60% of his original security. And 3% in the present money market is not to be sneered at.

New York has a world's fair in the offing (1939) and hotels are certain to benefit greatly. It was this conviction that led hotel men to sign on the line for the first \$500,000 of fair bonds.



The amazing effect of lighting designed for a specific job

PROOF that adequate lighting more than pays for itself is furnished by a test conducted recently for a key punching operation . . . an operation that constitutes approximately half of the tabulating job and one that requires both critical and prolonged use of the eyes.

Before the test, operators worked in a somewhat strained posture, under a general lighting system that provided eight footcandles. In June 1934 an improved lighting installation was made . . . a combination of both general and supplementary lighting that provided 60 footcandles. Under the new combined system the operators have been able to approach the speed limit of their machines, so that up to November 1936, production had increased 58.3% . . . and at the same time errors had been reduced 68.5%.

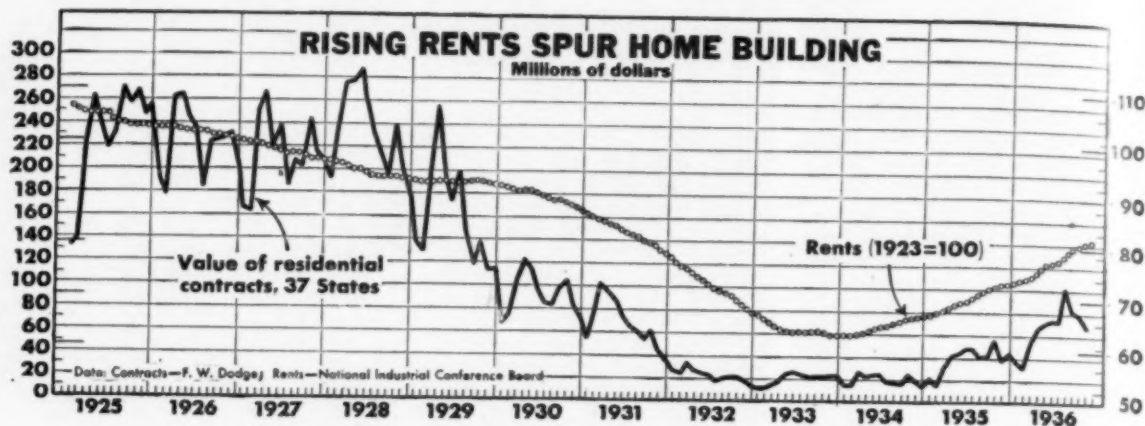


There are many ways to improve present lighting systems in offices—changes that better seeing conditions, lessen fatigue, and increase efficiency. For specific suggestions and information, write General Electric Company, Dept. 166, Nela Park, Cleveland, Ohio, for a free copy of the new 35-page, illustrated booklet "Lighting for Seeing in the Office."

The price of Edison Mazda lamps has gone steadily down while lamp efficiency, the amount of light produced per unit of current, has gone up and up . . . The GE trade-mark on lamps means they Stay Brighter Longer and insure full lighting value for your money.

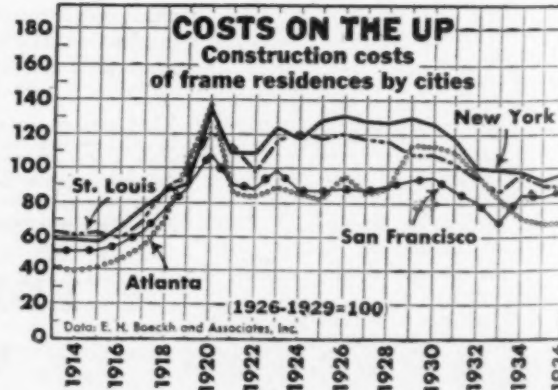
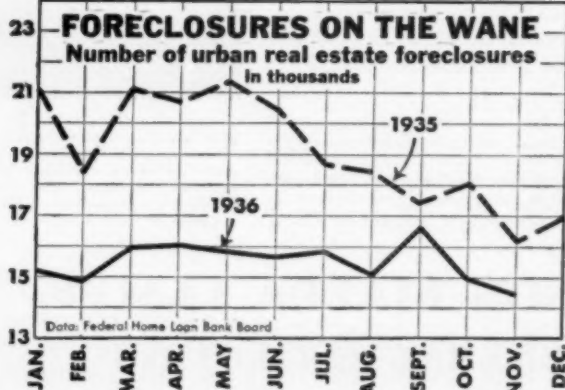
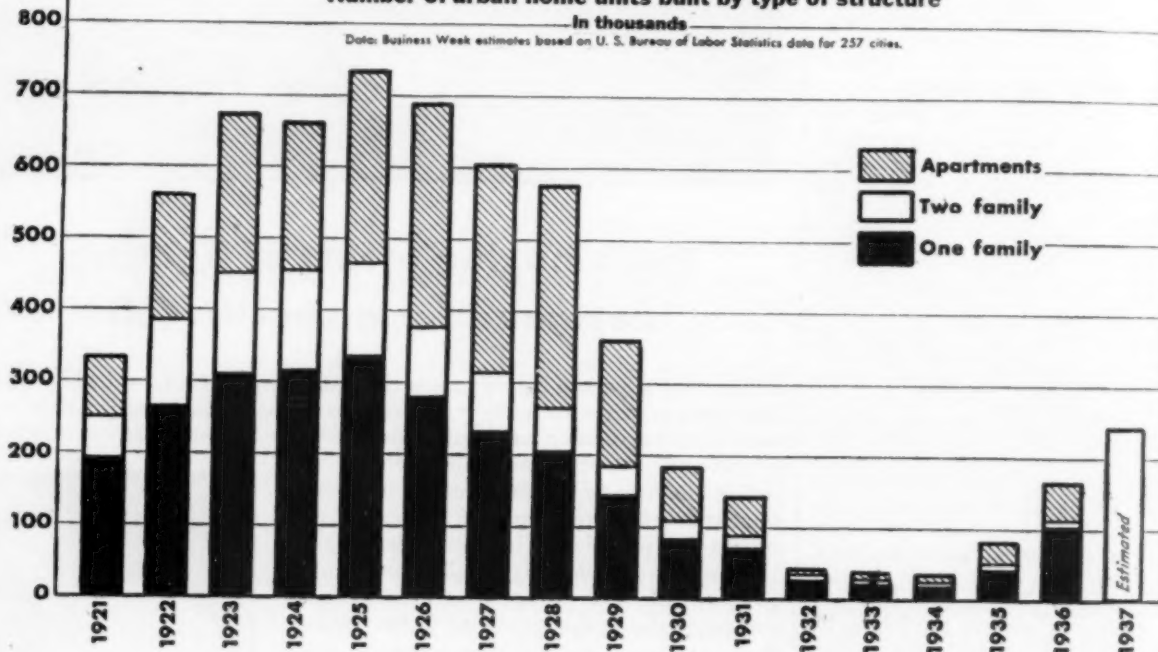
EDISON MAZDA LAMPS
GENERAL ELECTRIC

Homes Are Built Again



ONE FAMILY HOMES PREFERRED

Number of urban home units built by type of structure
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Building Nearly 50% More Homes

Outlook is for construction of 245,000 units this year. People have money again, and costs and rents are both rising, so there's a rush to build.

HOME building in 1937 won't break any records, and won't do much to reduce the tremendous accumulated shortage estimated at about 3,000,000 homes, but there is no doubt that it will be the best home building year since 1929. Basing its estimates for 1937 solely on the urban market about which reasonably accurate data exists, *Business Week* forecasts that this year's home building will reach a total of 245,000 units against some 167,000 in 1936. Here's why:

1. For the first time since pre-depression days, the home-buying public is not only willing but able to buy or build new homes. The recovery in employment and payrolls has provided the necessary income to enable the American family to branch out on its own hook, to leave parental roofs, to contract long-deferred marriages, to compete with the Joneses again.

2. Costs are rising. So are rents. Both are incentives to build now.

3. Foreclosures are declining, making bargain buys less frequent.

4. Vacancies are diminishing, making desirable properties for rent or sale scarce.

5. Ample funds are available. Building and loan associations are showing big jumps in funds going into new construction and home purchases, smaller gains in loans for repairs and modernization.

6. Persistent publicity, first on home modernization and now on home building, begun back in 1934 with the organization of federal housing agencies, is now bearing fruit, particularly in the low priced field, the major market.

7. The National Lumber Manufacturers' Association is ready to demonstrate what can be had in the low priced market by planning to construct 3,000 small homes in 1,000 communities costing from \$2,000 to \$4,500.

FHA Is Cooperating

This program, which is undertaken in cooperation with the Federal Housing Administration, will provide homes purchasable on a 20% down payment with the balance payable at rates as low as \$20 to \$25 per month. The first batch are scheduled to be ready on May 1.

8. Johns-Manville Corp. is going after the neglected farm construction market by offering farm owners a chance to repair, modernize, or build now, and to pay later, when the crop is sold. Purchase of materials from the corporation amounting to \$100

or more may be financed over a period of five months to a year under terms acceptable to FHA. This is believed to be the first instance of a scheme to develop the farm market for building materials. Since little is known of the potentialities of the farm building market, the program may throw light on a field largely subject to "guesstimates."

According to the F. W. Dodge Corp.,

which is a private compiler of construction data gathered in 37 states east of the Rockies, 1936 volume of home building and alterations reached a total of \$801,623,800, a 67% gain over 1935. Add 15% to this volume to allow for states not covered by the Dodge records, and you get a grand total of \$921,867,370, making it the biggest home building year since 1930. Putting 1937 at least 40% higher, the current year's home building should reach the sizable total of \$1,290,600,000. This still falls short of the 1929 volume of more than two billions, to say nothing of such banner years as 1928 and 1925 when the total ran over three billions.

Rents have steadily been coming out

Welcome the Man ...who wears THIS PIN

He can save you
work, worry, money

THIS EMBLEM is the official identification of the National Industrial Distributors' Foundation . . . an organization formed by leading industrial distributors who seek to



promote highest standards of service to Industry. Every member possesses recognized ability, and verified facilities for rendering a complete service.

The man who wears this Emblem represents a local member distributor. He warrants a welcome. He places at your command facilities which he maintains as a "cooperative service" for you and other users of industrial supplies and equipment . . . facilities which you can share with other buyers to avoid work, worry and expense in purchasing and stocking the bulk of your plant requirements.

He offers you the advantages of: 1. Expert buying service that "narrows-down" your work of selecting supplies. 2. Superior warehousing facilities that enable you to limit plant stocks, and reduce stock-carrying charges. 3. To-your-door delivery that cuts down shipping and trucking expense. 4. One-source supply which enables you to obtain many items with a single order. 5. An information service that gives you latest unbiased product-and-price data without bother or delay.

While you may know this distributor, now, and use his service to some extent, it will pay you to get-together with him and plan ways to make FULL use of his money-saving facilities.

NATIONAL INDUSTRIAL DISTRIBUTORS' FOUNDATION

of the I.S.R.B.; an activity of the National Supply & Machinery Distributors Assn.; Southern Supply & Machinery Distributors Assn.; and American Supply & Machinery Mfrs. Assn.

Sightseeing WITH BAKELITE*

Automobile Industry

Continued from page 23



Pattern Shop—Skilled craftsmen take the engineer's drawings and from these construct the patterns for making the finished parts. These patterns are often made of plywoods bonded with Bakelite Resinoid and finished with a varnish fortified with Bakelite Resin.



Foundry—For making cores of molds used for castings there is a Bakelite Bonding Material that keeps them firm and smooth. After the castings are made the gates must be ground off and this is done with Bakelite Resinoid Bonded abrasive wheels operating at 9,500 S.F.P.M.



Grinding Room—Precision grinding of accurately balanced crank and cam shafts is one of the most interesting production operations. Again Bakelite Resinoid Bonded abrasive wheels come into use because accuracy of dimension and form is essential.

*Trade Mark Reg. U. S. Pat. Off.

Bakelite Corporation, 247 Park Ave., New York
Bakelite Corp. of Canada, Ltd., 161 Dufferin St., Toronto

Continued on page 59

of the cyclone cellar since the bottom was reached in January, 1934. At the end of 1936, rents stood at 81.8% of the 1923 base year, or more than 30% above the low point. And since new construction even in 1937 will not fill the housing gap, rents are expected to continue their climb and thus serve as an additional spur to home building in the years after 1937.

Has Building Market Data

The only freely available source of information on the home building market for all states is that being compiled by the United States Bureau of Labor Statistics based on permits issued in a limited number of cities. A continuous record based on 257 identical cities which have about 65% of all the urban population (that in incorporated towns of 2,500 population or more) is available from 1921. The list is currently being expanded to include more cities of smaller size, so that in the future our knowledge of building activity in big vs. small towns will be greatly expanded.

From the second chart (page 26), the dominance of the one family house is apparent. According to the 1930 census, more than three-fourths of all families resided in one family homes, with the rest almost equally divided between two family and apartment structures. Only in the boom years 1926 through 1929 when realty bonds were easy to float did the construction of apartment houses surpass the accommodations provided in one family dwellings. And while apartment construction jumped sharply in 1936, the building of one family homes jumped even more, 73% against 119%.

The charts presented readily demonstrate to what low estate the home building industry fell in the early thirties. If urban building activity from 1930 to date had been carried on at the same pace as the average annual construction in the decade 1920-1929, then 3,106,304 additional homes would have been constructed. From 1930 to 1936, new urban families estimated at 1,800,000 have been added to the potential home market.

Public Is Buying Homes

That the public is in a home buying mood is apparent from the record of loans made by the country's savings institutions and building and loan associations, including federal associations whose recent lending activity has been at the rate of the 1923 building boom year. The proportion of funds going into new construction has risen from 20% in 1935 to 26% in 1936 and is expected to reach 36% in 1937. Funds going into repairs and modernization work have declined from 10% to 7% of the total distributed, while those going into home purchases have risen

Where Homes Are Being Built

Based on permits in all cities of 10,000 population or more

States by Regional Groups	First 11 Months of 1936 Thousands of Dollars	% Change Over First 11 Months of 1935
New England ..	\$39,235.3	+108
Maine	1,190.1	+56
New Hampshire ..	915.8	+36
Vermont	349.5	+64
Massachusetts	24,929.1	+126
Rhode Island	3,206.2	+69
Connecticut	8,644.6	+101
Middle Atlantic ..	180,635.7	+104
New York	133,876.0	+107
New Jersey	19,415.9	+75
Pennsylvania	27,343.8	+115
East North Central ..	119,544.9	+139
Ohio	35,469.4	+85
Indiana	5,393.5	+7
Illinois	25,422.2	+303
Michigan	32,298.0	+156
Wisconsin	20,961.8	+201
West North Central ..	27,577.5	+56
Minnesota	7,281.1	+68
Iowa	4,225.3	+61
Missouri	8,344.1	+19
North Dakota	410.8	-16
South Dakota	595.9	+15
Nebraska	3,548.4	+198
Kansas	3,171.9	+111
South Atlantic ..	64,181.1	+68
Delaware	1,172.5	+150
Maryland	4,817.2	+122
Dist. of Col.	22,637.0	+66
Virginia	5,326.1	+89
West Virginia	3,066.3	+69
North Carolina	5,918.9	+79
South Carolina	4,174.9	+133
Georgia	3,348.1	+8
Florida	13,720.1	+137
East South Central ..	24,456.8	+346
Kentucky	7,048.0	+294
Tennessee	12,572.2	+945
Alabama	3,202.0	+83
Mississippi	1,634.6	+119
West South Central ..	34,472.1	+107
Arkansas	1,026.7	+157
Louisiana	3,890.4	+185
Oklahoma	7,494.3	+193
Texas	22,060.7	+78
Mountain ..	11,473.3	+102
Montana	1,256.7	+94
Idaho	892.0	+110
Wyoming	690.2	-5
Colorado	4,000.6	+71
New Mexico	1,010.4	+255
Arizona	1,401.1	+215
Utah	1,506.7	+127
Nevada	715.6	+401
Pacific ..	88,198.5	+141
Washington	5,342.8	+94
Oregon	2,986.4	+234
California	79,869.3	+142
United States ..	\$589,775.2	+112

Data: Federal Home Loan Bank Board
Business Week

from 22% to 30% in 1936. Associated loan business in 1935 did \$1,175 million in counting on \$1,175 million. The size of the loans that homes put between \$3,700 and \$5,000. Because annual movement within the construction industry the sharp upward took place in the situation in January. Major areas show over even the proximating near area alone. In houses are rising in New York, January, 1937, similar one in D.C. one, 14% more similar percentage range around 1. Atlanta and St. true, frame costs

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from 22% to 30% for the years 1935 and 1936. Associations which did a total loan business of \$641,540,000 in 1935 did \$1,175,000,000 in 1936, and are counting on \$1,400,000,000 in 1937. The size of the loans made indicates that homes purchased are costing between \$3,700 and \$4,000; homes constructed, between \$4,000 and \$5,000.

Because annual averages conceal movement within the year, the chart on construction costs does not reflect the sharp upward trend of prices that took place in the last half of 1936. The situation in January, 1937, for 16 major areas showed distinct increases over even the preceding month, approximating nearly 13% in the Boston area alone. In some localities, brick houses are rising faster than frame. In New York, the brick house built in January, 1937, cost 27% more than a similar one in December, 1935; a frame one, 14% more. In San Francisco, similar percentage increases would range around 12% and 10%. In Atlanta and St. Louis, the reverse was true, frame costs rising faster than brick.

Process Tax Again?

Wallace would make beet sugar refiners pay levy like the one Supreme Court annulled.

BEET sugar growers have their friends at court. Secretary of Agriculture Henry A. Wallace proposes a federal processing tax of $\frac{1}{2}$ ¢ to 1¢ a lb. on sugar refiners out of which farmers could be paid benefits.

While the secretary made no mention of the sugar beet farmers in suggesting this tax, the trade at once concluded that these were the parties to be aided. Dealers and refiners recalled that, in December, the Agricultural Adjustment Administration informally backed the beet growers when the latter sought better terms in their 1937 contracts (BW—Dec. 19 '36, p. 30). And, while producers and refiners deadlocked in those conferences, the implication was that AAA would support the farmers as they press their case.

Raw sugar quotations dipped when Sec. Wallace proposed the processing tax. But some commission houses bought on the assumption that there might be a certain amount of bluff in the plan. Their thought is that beet sugar refiners may give some ground before signatures are affixed to contracts along toward the end of March. As these agreements read in 1936, producers and refiners split the selling price 50-50. Producers demand 60%; refiners wouldn't agree at the December conferences unless they were guaranteed against a processing tax. Cane refiners hope the beet crowd can compromise.

There is some doubt, however, that

this would pacify the Department of Agriculture. AAA's sugar division is behind Sec. Wallace in the tax idea. It could carry some of the soil conservation load as it applies to sugar (if the tax is constitutional, and Sec. Wallace says the solicitor-general has reassured him on this point despite the fate of the old AAA levies). And, to top it off, there are few who doubt that the tax can be passed if the Administration asks for it.

Further Complications

But there are other complications. Sugar cane growers will have to get in on the benefits or the Southern congressmen will put up a fight. Prices to the consumer must not be allowed to reflect the tax (protection can be had by raising off-shore quotas) but controlling retail prices may cut the return to the farmer. And domestic refiners have been yelling for an excise on refined sugar shipped into this country in addition to the tariff on raws (0.9¢ a lb. on Cuban raws and 1.875¢ on foreign).

Refiners are familiar with the processing tax. It was 0.535¢ a lb. on sugar from June 8, 1934, until the Supreme Court knocked out the processing taxes early last year. Since that time, Sec. Wallace charges, refiners have increased profits from 8-10% on their capital to upwards of 15%. But the mills deny that they have been making higher margins—they contend that larger profits, where they appear, are on better volume at smaller margin. They produce figures to show that they have paid an average of 0.36¢ a lb. more for raw cane sugar since the processing tax went off and have received 0.16¢ less for the refined sugar that they have sold.

All these diverse interests, and even some advocates of higher tariffs on Cuban raw sugar, will be on hand in Washington when the Jones-Costigan Act (which embodies the quota system) comes up for extension at this session of Congress. The law runs only to the end of this year and it is considered almost certain that AAA will press for extension, with or without a processing tax rider.

Blushing Co-op

Misstatement in razor blade ad is confessed. Observers recall rivalry with Schlink.

BACK in November, 1935, Cooperative Distributors, Inc., a New York co-op mail order house, advertised that no competing blades were anywhere near as good as its private-brand razor blades and that 90% of the 1,200 shaver-consumers to whom they had been sent for testing reported them eminently satisfactory.

This week, Cooperative Distributors

FLORIDA

Empire of Sunshine

HAVANA — NASSAU — SOUTH



Go! . . . where everybody is happy, but Old Man Winter. Florida's climate disagrees with him!

SIX FAST DAILY TRAINS

With morning, afternoon and evening departures from Penn. Station, New York, viz., Florida Special, The Miamian, Gulf Coast Limited, Havana Special, Palmetto Limited, (Carolinas-Georgia) and the Everglades, latter a fast non-stop train from Washington at 9:00 A. M.

Ship your Auto—4c per mile. For Conditions ask your Ticket Agent

OFFICES IN PRINCIPAL CITIES

ATLANTIC COAST LINE

THE STANDARD RAILROAD OF THE SOUTH

Do people like you instinctively?



GETTING ALONG WITH PEOPLE, by Milton Wright, (\$2.50) tells you precisely what to do and say, and why you should do it, to secure the results you want in countless situations in business and social life, in everyday contacts, and in important situations with a major bearing on your life and happiness. With many practical examples it shows you:

- how to get along with others
- how to secure effective cooperation of superiors, associates, subordinates, friends and acquaintances
- how to meet people properly and deal with them smoothly and efficiently

SEND THIS ON-APPROVAL COUPON

McGraw-Hill Book Co., Inc.
330 W. 42nd St., N. Y. C.

Send me Wright's Getting Along With People for 10 days' examination on approval. In 10 days I will send \$2.50, plus postage, or return book post-paid. (Postage paid on orders accompanied by remittance.)

Name

Address

City and State

Position

Company BW-4-23-37

Convicted—Without Evidence

NO JUDGE in the land would attempt to pass judgment on any case without complete evidence. Yet every day the people of America, lacking complete evidence, sit as judges in the Court of Public Opinion and form their impressions of corporations and their products, and of the way they conduct their relations with labor, government and the general public. Those impressions last unless industry tells its story.

Industry can, if it will, tell its story—present its evidence at the Bar of Public Opinion. And the people will listen.

A wise program of public relations will prove this and have lasting value.

A brochure, "Public Opinion and Business" may be secured on request.

GENERAL PUBLIC RELATIONS
INCORPORATED

80 Broad Street, New York

BLEND with the TREND

The relationship of business to both government and people has changed during the last few years—even during the last few months. Approval or disapproval is unimportant compared with the necessity of recognizing that the change has occurred.

Even more important is the ability of an industry to adjust itself profitably to the changed relationship. In this connection experienced publicity counsel can be of assistance.

Before choosing publicity counsel it is wise to make sure of their experience and to check their reputation. We have prepared a booklet entitled, "Sixty Questions", which any company should ask publicity firms before making a selection. A free copy will be sent upon request.

ROGER WILLIAM RIIS and ASSOCIATES
522 FIFTH AVENUE • NEW YORK CITY

signed an agreement with the Federal Trade Commission to stop such advertising and admitted the percentage of persons reporting on the consumer tests was somewhat exaggerated in its statement of 14 months ago.

Although it is not a particularly noteworthy action—certainly not as significant as FTC's almost-unnoticed move forcing Macy's to tone down advertisements for its private brand razor blades—the case of Cooperative Distributors elicits interest in advertising circles by virtue of unusual circumstances.

New Magazine Appears

Last week, a new magazine made its debut. *Consumers' Digest* is its name and F. J. Schlink of Consumers Research puts it out. In an article "Do We Want Collectivism," Mr. Schlink reports that various goods produced or distributed by European co-ops are inferior to well-known American products. Eight brands of Russian soap, reports Mr. Schlink, fail to come up to our federal specifications (though he neglects to mention Russia's shortage of oils and fats) and Swedish and English co-op razor blades, he says, are decidedly inferior.

Other instances of co-op delinquency are cited both in the Schlink article and in one by his associate, J. B. Matthews, that ran in a recent issue of the *Atlantic Monthly*.

Puzzled by such left-hand endorsement of their wares, advertisers have searched further for an explanation of their erstwhile detractors' actions. And they recall a curious sequence of events.

In September of 1935, Arthur Kallet, who had worked closely with Schlink in Consumers' Research and in preparing several anti-advertising volumes, severed the partnership as a result of a difference of opinion about CR's labor policy.

More Consumer Advice

One month later, Cooperative Distributors, with the assistance of James Rorty, former ad man and former *Nation* editor, started a publication known as *Consumers Defender* which supplied buying advice and which, incidentally, in its first issue criticized Mr. Schlink's ideas about labor.

One month after that, in November, *Peoples Press* came into existence as a national weekly with Arthur Kallet as a member of its editorial board and contributor of a weekly column on food and drugs. Cooperative Distributors' advertisement for its razor blades appeared in one of its first issues, but whether the dereliction was discovered as early as that or whether complaint was made to FTC at a later date—say, at a time when Kallet started his thriving Consumers Union in direct competition with Schlink's thriving Consumers Research—is a question that only the silent Trade Commission files can answer.

PUBLIC RELATIONS

—First in the Order of Business

Out of the news, week by week, comes evidence of the importance of sound public relations in American corporate business and of the awakened interest of its executives in the problem of gaining public good-will for their individual concerns while demonstrating that business as a whole deserves well of the people whom it serves. Read thoughtfully, this evidence shows that a solution of the problem is vital not merely to sales but to the existence of our present system. The report on the next five pages reviews the evidence and then proceeds to deal with the practical ways and means of acting on it, of bringing the principles of public relations technique down to earth, organizing an effective program, finding and utilizing the available aids, following the common-sense methods of those large companies and small ones that owe an important part of their success to the fact that "the people like them."



Number 1 of a series of special reports on current business opportunities, problems, and trends of outstanding significance. Made for executives by the editorial staff of *Business Week*, McGraw-Hill Publishing Co., 330 West 42nd Street, New York, N. Y. Covered under the general copyright on the January 23, 1937, issue.

“WHETHER for good or evil, the trend of the times is unmistakably toward greater social and political control. . . . This means that the business leader must achieve a greater awareness of his responsibilities not only as a member of industry, as a member of a class, but as a member of a society politically controlled. So far as the problem of public relations is concerned it means that objectives and techniques must take account of more comprehensive publics and be interpreted in more fundamental terms.”

In these ominous syllables Harwood L. Childs, associate professor of politics, Princeton University, expresses what all business executives should know:

That relations between the public (meaning all the people) and business (as a whole and as individual concerns) have taken on an importance which demands universal recognition by top management. The public mass is in a resentful mood. Politicians of all colors are ready to manipulate this feeling for vote production and a crackpot fringe is biding its time again to drum up the fuzzy-wuzzies.

Business cannot afford to allow these forces to operate unchecked. The only answer is to short-cut the dervishes and go direct to the public which includes the voters. This involves actions proving consideration for the public, not merely words professing solicitude. It involves, first of all, seeing that your company's public policy and business philosophy are sound and that its relations with your employees, who make your most direct connection with the public, are fair. You can't put the house on public inspection if it needs a cleaning.

Greatest emphasis must be placed on public relations as a definite job for major executives of companies large and small. Bruce Barton, an advertising leader, declared recently,

“We shall see much reorganization of boards of directors. I venture the prediction that the time will come when the great industrial concern will have on its board one or more representatives of the public. This representation may be on a revolving basis. The public director this year may be an Iowa farmer; next year a country doctor from Alabama; the third year a school teacher from Massachusetts.”

And why hasn't some big corporation done just that? Such an action would carry greater conviction to the public than years of speeches or miles of glowing press releases.

In a review of the situation by *Business Week* certain points stand out:

(1) Public relations work ought not to be confused with publicity. Properly speaking, publicity involves promotion of company products or officials and can be handled by advertising and sales departments; public relations involve the mental attitude of humanity in general toward the company.

(2) Public relations work should be handled by an official with authority in his own right, possessing a high title, close to the real head of the company.

(3) The public relations executive should be in the complete confidence of management, knowing the entire background of every situation he is called on to handle.

(4) Since the complexities of big-company management often remove the head executive from the general public, it becomes the job of the public relations official to interpret to the head man what the mass of people think of the concern as well as to interpret his company to the public.

(5) Lawyers are generally inept in public relations work because of professional limitations. They should be consulted, preferably, for “yes” and “no” answers to legal questions.

(6) “Lobbying” doesn't belong with public relations. Legislative work should be handled by specialists in this field.

(7) Public relations activities should be strictly on the level. The risk of a kick-back is dangerous. Ask the companies or industries that have been caught “trying to slip something over.”

(8) In small companies, the active head of the business should handle his own public relations. If he lacks experience or aptitude, he can consult specialists.

(9) Drives for cooperative public relations work through business organizations should be pressed by the membership.

(10) The public reaction is involved in treatment of employees since they talk and the people read of labor troubles, in every employee contact with the public, in mail or phone technique, in promotional activities, in pricing policies, in the very appearance of buildings and equipment.

(11) Simplified, the problem is one of producing good-will activities, conditions conducive to social well being, then actively and consistently merchandising them.

GENESIS of the antagonism to business is sad but simple. William H. Vanderbilt (not his father the Commodore) committed a classic blunder with his, “The public be damned!” True, he had been goaded to the bursting point by an over-insistent newspaper man. But the outbreak could never have been effectively exploited if the railroads of that day had not created a situation in which the sentiment became usable.

Again during the muck-raking era, there was provocation for the attacks which shook public faith in the aims of business generally. And at various times—as in the great commodity shortage just after the war—a vast investment in public good-will has been destroyed simply because business has drifted with a sellers' market and let the consumer shift for himself under conditions which create ill-will at every turn of the wheel. Thoughtful business men see this danger ahead of us now as we again move toward the arrogant latitudes of a sellers' market.

The grand climax with assorted fireworks came with the great crash of 1929. The depositor who lost his savings and saw every bank in the country closed cannot be expected to retain any passionate affection for bankers. The same goes for investors who lost on securities, whether they were gambling or buying for their old age. Ditto the sufferers from unemployment.

Added together all this means that the antagonism is deeply rooted and widely held. It is not going to yield to sweet words or pretty pictures. The National Administration represents some of the smartest public opinion

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experts that ever elbowed a conference table. But the Administration could not have successfully exploited the business opposition if Mr. Roosevelt hadn't had exploits to talk about. Whether right or wrong, they were accomplishments that could be sold to the voting masses—and the result, in so far as it was a vote against business, clearly demonstrated that public relations is first in order of business today.

Public relations specialists know (and business executives had better learn) that bugaboos and good fairies are useful devices when dealing with mass mentality. They have delved deeply into psychology, behaviorism, fixations, and what not. These things used to be called human nature. The simpler term still will serve for those who would avoid getting lost in a jungle of technical jargon.

The experts are fond of pointing out that simple minds (and most of us have simple minds) want clear-cut distinctions, object to gradations of color. For instance, average mentalities prefer to accept people and institutions as all good, or all bad. They demand heroes and villains. Mixed-up, Ibsenesque characters merely confuse them.

Business is up against an impossible job in trying to make the masses think it is 100% good. This helps explain the spectacular failure of some recent campaigns. The best business can expect is credit for its virtues. By dealing in realities, consistent education can break down the villain fixation.

It is up to business, through organizations and separate concerns, to prove that it deserves public good will. Great corporations can (and are) solving the problem by engaging public relations specialists and giving them high-ranking offices. They usually are vice-presidents or assistants to the company's head. Concerns of all sizes can get help from national, trade and local associations. They can call to their aid competent public relations counsel.

HELPS are available for smaller organizations. Executives of these can retain public relations men, they can consult editors and other persons whose business consists in studying human nature or knowing the reactions of specific communities, they can get the fundamentals from books on public relations, of which there are many. Anyone with a feel for salesmanship can probably develop the necessary knowledge. After all the job, as one specialist puts it, is simply,

"To make people want to do business with you."

Most of the big-salaried public relations officials are ex-newspapermen. Many originally took publicity jobs for companies which felt the need for fair and accurate presentation of their activities in news columns. The best of them have developed with their profession until they consider newspapers, magazines, radio, motion pictures as the distributing system conveying to the public favorable phases of the companies' activities. They do not try to see how much free space they can grab for their superiors. On the contrary, one of their major jobs is to kill ill-advised pronouncements.

Things are happening in this field. Students of management engineering are coming to the belief that the rounded business leader of the future must be grounded

in public relations. Also a growing need for skilled relations men is indicated. Here is something for ambitious youngsters to bear in mind. Princeton University now has a course in "public relations management" of which Dr. Childs (previously mentioned) is head.

In the preparation of this course, Dr. Childs has had the help of an outstanding public relations counsel, Edward L. Bernays. As an aid to students' reading Dr. Childs has prepared *A Reference Guide to the Study of Public Opinion*, published by the Princeton University Press, Princeton, N. J. This book should be of value to outsiders. The university has also recently started publication of the *Public Opinion Quarterly*.

It is said that academic authorities are probably ahead of business officials in recognizing the importance of the subject. The Princeton course consists mainly of reading backed up with lectures by business leaders and relations counsel. Other schools include in certain courses under varying names the principles of the subject. Some of these are University of Minnesota, University of Chicago, Harvard, Columbia, University of California, Pennsylvania, Cornell.

AMONG national organizations important in public relations are the National Association of Manufacturers, New York, and the Chamber of Commerce of the United States, Washington, D. C. The National Industrial Conference Board, New York, the Brookings Institution, Washington, D. C., and some others provide studies and statistics which are valuable for proving points in public relations work or in guiding mass movements for production and marketing.

The N. A. M. and the U. S. Chamber have different set-ups and arenas of activity. N. A. M. consists of individual company memberships and has as affiliates 34 state and several hundred local manufacturers' organizations and many national manufacturing trade associations. The U. S. Chamber's membership consists of individual companies (as associates), state or local chambers of commerce, and business associations. It considers its major job as a two-way contact between business and government. The N. A. M. is an important consideration in industry's company-labor relations. In addition to offering counsel and a united front for members and affiliates, it furnishes aids to the worker's education and public relations that are available to any employer.

Following its main theme, the N. A. M. distributes an extensive service of printed matter, movies and radio programs. Last year activities included:

For newspapers—a weekly press service, cartoons, articles by economists, factual bulletins for editors. For radio stations—a weekly program on fundamental economics. For foreign-born citizens—a weekly press service and series of speeches in seven languages. For the movies—two 10-minute films (educational) placed in general theater distribution. For employers—leaflets for distribution to workers, plant posters, clip-sheet for plant publications, material for speeches, sound slide films.

Other N. A. M. services were six full-page advertisements with facts concerning American industry offered to all newspapers which obtained local underwriting; a speakers' bureau to aid programs of community meetings,

etc.; letters for distribution to stockholders; a special bulletin of industrial economics for plant foremen.

The U. S. Chamber of Commerce considers itself a focal point for business opinion. This is made available for its members and through them to the public. The referendum is its own method of registering general business sentiment. Through referenda the membership votes on important questions, the result being laid before Congress and the public.

The Chamber maintains various informational services for its members. One tells them what its different branches and committees are doing. Another devotes itself to goings-on in Congress. Another covers governmental bureau rulings affecting business. The organization has a press department which helps Washington's horde of correspondents keep business news straight. Chief weakness of the Chamber is inclusion in its membership of warring interests which sometimes smears the picture of a united business front. Famous example: Clash of automobile and railroad interests over the Chamber's stand on truck regulation which caused the Automobile Manufacturers Association to take a walk.

It can be seen from the foregoing that the U. S. Chamber does practically no direct public relations promotion though it indulges in general business propaganda. Members can re-work its steady flow of information for their own purposes.

THE National Industrial Conference Board is in somewhat the same situation. It produces through research data for public relations work by other groups or companies. This consists of statistical and other studies properly appraised. The N. I. C. B. calls itself "a private, cooperative, non-profit scientific institution." It seeks greater prosperity and security by assisting "the effective operation and development" of the nation's productive industry. It functions through the largest private organization in the country for continuous economic and statistical research.

The board's studies and surveys are accepted with respect and used by all sorts of folk (including the government) in hundreds of different ways. Often they bolster public relations efforts. A study on machinery, employment and purchasing power (suggested and financed by the National Machine Tool Builders Association) was widely publicized. Especially the section which presented dramatically the part new industries have played in increasing employment.

Current studies deal with private long-term debt and interest, farm income, cost of living, U. S. wages, hours, and employment, U. S. working population, U. S. agricultural situation, commodity price control, suggestion plans in industry, industrial personnel practices, Revenue Act of 1936. Special studies available include Workers in the Chemical Manufacturing Industry, Cost of Living in Evansville, Ind., Cost of Living in Industrial Cities, Cost of Electricity in the U. S. and Foreign Countries.

The Brookings Institution, Washington, D. C., is a well-endowed body which works somewhat along the lines of the Conference Board. Its research findings in the social sciences are universally accepted and are widely quoted in public relations and publicity efforts.

A selected list of recent Brookings publications indicates the scope of its work and may suggest source material for public relations officials: The Recovery Problem in the United States, America's Capacity to Produce, America's Capacity to Consume, The Formation of Capital, Income and Economic Progress.

Of all the personalities in the public relations field, the most interesting are the independent public relations counsel. While the maneuvers of these high-priced high priests of the new profession often may seem mystical and obscure they are in fact realists who apply logical cures to carefully determined situations. The late Ivy Lee was generally accepted as the pioneer and the master in the new technique.

The first Ivy Lee feat to attract national wonder was his handling of the bloody Colorado Fuel & Iron crisis for the Rockefellers. John D. Rockefeller, Jr. went to Colorado, met the miners and, tradition says, danced with the miners' ladies. This was a demonstration by deeds of the Rockefeller humanities and sympathies. Lee counsel is given much of the credit for changing the national attitude toward the Rockefeller name from hatred to affection.

Advice from this source helped Winthrop W. Aldrich, of the Rockefeller-dominated Chase National Bank, escape the sufferings of other financiers before the historic Senate investigation in Washington (1933). Under the slashing examination of Ferdinand Pecora, witness after witness went on the stand to have his standing before the public momentarily mangled. Mr. Aldrich avoided cross-examination by asking permission to read a statement which "would save the committee's time." This was allowed and the liberality of the recommended banking reforms, going beyond even what the committee had in mind, deflated further moves against Mr. Aldrich.

The old Ivy Lee organization carries on (in New York) under the leadership of T. J. Ross. His methods are not of the circus order but his advice on labor and public relations is highly valued. One of Mr. Ross' clients is Walter Chrysler. This gentleman has kept his head in public and political arguments—which is more than can be said for some other manufacturers.

EDWARD L. BERNAYS must figure in any study of public relations. He is a nephew of Sigmund Freud, the great Viennese psychoanalyst. Mr. Bernays has attained corresponding stature in his own sphere of psychology. He seeks diligently to understand the "mass mind," to reduce its workings to a scientific formula, to motivate its reactions for deserving clients. His wife (Doris E. Fleischman) is his business partner.

Mr. Bernays treats with groups. He finds a direct way to mass minds through group leaders. Basically, he deals with the stimulation of unconscious processes by conscious acts. Suppose an organization of manufacturers engaged him to make Americans wear green wool mufflers. His group, then, consists of men interested in mufflers. Who is the natural leader of this group? The man most likely to be followed in matters of dress is the Duke of Windsor. The duke may be induced to wear green mufflers by the argument that in so doing he is still being royally useful in helping British sheep.

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textile, dye industries. Whereupon the press and other news media tell the world that the royal exile has settled on green wool mufflers, sub-leaders take up the mode and pretty soon the unsuspecting group of American males is doing exactly as the manufacturers' organization wants it to.

Mr. Bernay's most spectacular feat was Light's Golden Jubilee. Some group leaders assisting in this event were President Hoover, Thomas A. Edison, Henry Ford. Beneficiaries were the utilities industries, which, up to the date when a few wreckers and wild men ruined their work, carried out one of the soundest and most successful public relations programs that American business has ever seen.

Public relations advice is obtainable in large cities through organizations specializing in the field. On a New York list of public relations counsel would be found, with many others, including some already mentioned, such names as William H. Baldwin, Carl Byoir, Ames & Norr, Roger William Riis, Benjamin Sonnenberg, General Public Relations, Inc., Roberts Everett Associates. Chicago has another list, representative of which are Connelly & Duensing, Glenn G. Hayes, William Shaw, James T. Kolbert. In Cleveland Hill & Knowlton are prominent. Washington abounds in members of the profession, with a liberal inclusion of specialists in government contacts. Incidentally, some of the most effective public relations work in industry is done by advertising agencies which have applied to this field the wide knowledge of public reactions gained in their older line.

SMALL companies may not be able to go in for elaborate programs. What can they do? Here are high spots of a public relations plan prepared for a company in a town of 20,000 which may carry suggestions:

The head of the concern was advised to join, without publicity, the local chamber of commerce, other civic groups, and to affiliate himself with church activities. He was to make and release a market survey showing the commercial importance of the city. Among activities he was advised to sponsor were a local radio series on the community's history, certain "open house" days at the plant, essay contests for school children, special athletic events. Since sound public relations begin at home (with employees) the company was counseled to raise wages, instruct all employees in intelligently discussing the firm's problems, encourage social activities among workers.

Local newspapers and word-of-mouth were depended on to get all this over to the public. The program was designed to prove that the company, as the French say, deserved well of the community.

The importance of instilling a public-relations consciousness in all employees cannot be stressed too heavily. The trouble technique of the Nebraska Power Co. shows an intelligent handling of one phase:

Perhaps Mrs. Smith-Jones is having a bridge party in Omaha. The lights go out. Her irate call to the power company is answered by a girl whose tone and expressions are all sympathetic. The girl flashes one of the trouble men who are spotted with motorcycles at strategic points about town. In a few minutes the trouble man roars up to the Smith-Jones residence, his clamor advertising to

one and all that the power company is on the job. Swiftly, and with further expressions of sympathy, the electrician makes the repairs.

By now Mrs. Smith-Jones is mollified. After the trouble man bows out she decides to call up the power company and express her thanks. But her phone rings. It is the power company's night operator who wants to know if the trouble has been fixed and if the bridge game has been resumed. She expresses her satisfaction and leaves Mrs. S-J completely satisfied as to the company's interest in her. What she does not know is that the trouble-shooter called the phone girl as soon as he left the subscriber's house and that the girl's call-back was part of the concern's public relations routine.

THE following are other fragmentary examples of what specific companies have done and are doing about public relations. While these are large corporations, their methods contain suggestions for business of all types:

Bell Telephone System drills all employees in avoiding irritation to the public and actively promoting its good will. Contact work is left to operating companies so that appropriate methods may be applied to different territories. There are public relations in the predetermined tones of the operators' voices. Installers must be considerate of subscribers' floors and walls, linemen must seek the friendship of property owners, office employees must be as solicitous of customers' feelings as of the company's rights. Workers are kept informed as to what transpires within the company so that they can intelligently discuss its affairs and correct false statements.

New York headquarters of the Bell System acts as a clearing house for ideas. Few news releases are used. Stockholders (about 700,000 of them) are kept informed by regular financial reports which are stand-outs for clarity. Operating companies handle newspaper advertising but headquarters supervises magazine placements. Copy is mainly institutional, giving the reader as many public relations impressions as he can readily absorb. Advertising for the entire system costs around \$4,000,000 annually. Copy appears in all sorts of media, has back of it the momentum of a consistent policy followed for 20 years. And behind all this is one of the most perfectly organized public relations setups in industry, operating under the responsible authority of a vice-president, basic in the company's structure. An incidental result—political persecutors who have crucified other concerns have found this corporation's position with the public impregnable.

General Motors has developed in its consumer research questionnaires an implement that helps, at the same time, public relations, engineering and sales. These are mailed annually to 1,000,000 owners of G-M and other cars. One survey flattered and roused the interest of old customers and prospects by inviting a vote on questions in design. These became also a dependable guide to public opinion on styling.

G-M is determined to break down any impression that it is a cold-blooded outfit run by absentee management in Detroit and New York. This applies particularly to cities where plants are located. Each of these has a public relations committee which is headed by a key G-M

official. They take part in all civic activities, stage programs of their own. Public good-will is further promoted through G-M's highway safety efforts.

The "open house" idea has proved effective. Since G-M started its public relations committees in plant cities, some 21 of these open house events have been held. In them the public is invited to tour the plant as the guest of the company. This method of reaching the public is increasing in use. It has been employed by General Electric, Westinghouse, American Rolling Mill and many others.

UNITED STATES STEEL CORP. is one of the giants which has proved by recent moves an active interest in public good will. None of this company's products reaches the public directly but the public is interested through what it hears of Big Steel's treatment of labor and its stockholders. In June newspapermen hailed a new dispensation when J. Carlisle MacDonald was appointed assistant to chairman Myron C. Taylor with authority over public relations of the company. The move was backed by the influence of Edward R. Stettinius, Jr., chairman of the finance committee. Significant happenings have been frequent since. The *U. S. Steel News* was inaugurated to interpret the company to employees, employee representation was developed, a large-scale institutional advertising campaign announced.

Steel is not the only industry in which the individual companies do not come into direct contact with the public through their products. Nevertheless such corporations have a direct responsibility in communities where plants or other activities are located and indirect responsibility as units of the entire business system. Such companies

can promote esteem through fairness to employees, participation in civic betterments, and by getting good-will across through all channels including advertising.

The current epidemic of strikes emphasizes the importance of cooperative civic efforts for industrial peace. One of these is the "harmony campaign" which has been used in such cities as Youngstown, O., Canton, O., Johnstown, Pa., Lawrence, Mass., Dubuque, Ia., Grand Rapids, Mich., Kenosha, Wis., Chicago Heights, Ill. Its main feature is 13 full-page newspaper advertisements sponsored by social and civic organizations in the cities where they appear. The campaign is supplemented by editorials and articles localized wherever possible. Contests are held for the best article on "What industrial harmony means to _____ (name of the city)." The program emphasizes the harm done to entire communities by labor disruptions and the value to all of peaceful settlements.

Finally, a major consideration for any company, as it faces its public relations problems, must be the attitudes held toward it by its contemporaries in industry and by the business world in general. A realistic executive will not overlook this or assume that, without effort, he can expect complete and understanding friendliness here. It is not only the "man in the street" who must be worked on but the men in industry whose prejudices, preferences, likes and dislikes influence the placement of business, credit relations, and, in many instances, the shaping of legislation affecting business. No program of public relations is complete which fails to cultivate throughout the business world a favorable impression of the standing, integrity and efficiency of the company, the way it serves other concerns and industries, its contribution to social and economic welfare.

REPRINTS AVAILABLE

"PUBLIC RELATIONS—First in the Order of Business" is Business Week's contribution to executive thinking on the most pressing problem now before American business.

This article marks an editorial departure for Business Week. It is the first of a series of special reports to executives on current problems of broad significance. These reports will appear as special sections of the magazine, probably every fourth or fifth week.

This first report, and others in the series, will be reprinted in booklet form. Quantities of ten or less will be mailed to Business Week readers upon request. Quantities of more than ten will be billed at cost of press work.

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Credit Unions

1,200,000 employees are members of such lending organizations, which loaned \$116,000,000 last year.

EMPLOYEE credit unions, gaining at the rate of 150 units a month, have passed the 5,500 mark. Two-thirds of them are in business concerns which find that they greatly reduce garnishments and wage assignments, and increase efficiency of workers relieved of small money worries. Assets of all groups are about \$100,000,000; loans made during the last year totaled \$116,000,000. The total membership is about 1,200,000.

Big patrons of the credit union idea are the meat-packing industry with 238 units, stores with 243, schools with 254, railroads with 292, petroleum with 293. But government workers put them all in the shade with 911, of which 621 are federal employee groups, 223 municipal, and 72 state.

Some of the Big Ones

The Municipal Credit Union of employees of New York City is the largest. Its last report showed 13,032 members (60% of whom were borrowers), share capital of \$1,801,510, and 7,613 outstanding loans totaling \$1,478,244. In the 19 years of its history it has loaned \$22,705,000 to members, all of which has been repaid except normal outstanding receivables. Other large groups are the Boston telephone workers, assets \$1,279,000; Chicago Post-office, \$919,000. Armour & Co. employees have nearly 100 credit unions, which have made 138,835 loans totaling \$9,963,219.

One-third of present credit unions are operating under federal charter and most of the balance under state charter. Some are free-lance. Forty-one states and the District of Columbia have special credit union laws, the first enacted in 1909 by Massachusetts under the aegis of Edward A. Filene.

Credit committee investigations reveal many a grim interlude. Foremost occasion for loans is sickness. Next comes consolidation of debts. Records show others are taxes, clothing, furniture, vacations, insurance premiums, coal, assisting relatives, funerals, weddings, babies. Average saving per member is \$55. The average loan is \$90; average membership per group is 214.

Losses reported by federal chartered groups during two years up to September, 1936, were less than 0.1% of the total loaned. No figure is available for state-chartered associations but reports from individual states show a similar loss. Of 1,862 federal groups chartered to the close of last year, 16 never opened for business and 19 suspended. No financial losses have been reported.



"Find out when our lease expires in this building!"

THE continued usefulness of an elevator, or any other machine, is predicated on *care*. This led us to establish, some years ago, a manufacturer service which we believed unique. For want of a better name, we called it Maintenance.

It is more than Maintenance. It is a life-extension plan for Otis Elevators. It evolves from a simple principle—*before* rather than *after*. In other words, regular inspection and care, meticulous adjustment, replacement of parts subject to wear—all these things *before* the elevator refuses to give good service.

Otis Elevator Maintenance is simply the best and most scientific care that we, the manufacturer, know how to give an Otis Elevator. We want it to *give* the service we *built* into it. Because of many years of elevator experience, we are able to predict accurately the Maintenance needs of any installation—that is why we can offer Maintenance at a reasonable, fixed monthly rate which allows you to budget your elevator expense.

We'd be glad to have you request the details of Maintenance, as applying to your installation, from your local Otis office.

OTIS MAINTENANCE
and you can forget your elevators



Business Week

BR-R-RING—Shore to tug radio-telephone service, with special selective device to ring any given ship or tug boat, has been inaugurated by telephone companies in New York, Boston, along the Atlantic and the Pacific. When the ship's skipper wants to talk with another vessel or his office ashore he picks up the receiver; an operator says "Number, please?" and makes the connection. Cost, \$3 for three minutes. (BW—Aug 22 '36 p2). Captain John F. Cahair, vice-president, Shamrock Towing Co., is shown using the new 50-cent installation aboard the tug James P. McGuire.

That Radio Channel Plan Is Here

Engineers of Federal Communications Commission at last report on reallocation of wave lengths. Way is opened for stronger stations and more of them.

AFTER more than a year of feverish speculation and debate, involving a three week hearing in Washington last October, the broadcasting business now has a pretty clear idea of what its new organizational pattern will look like. Proposals for the reallocation of wave lengths and for power boosts all along the line are given in the preliminary 43-page report submitted last week to the Broadcast Division of the Federal Communications Commission by Chief Engineer T. A. M. Craven and his assistant, A. D. Ring.

The report is not specific, of course, about such delicate questions as who gets what—indeed, the engineers even ask for additional instructions before finally roughing in the broad picture—but, as any good politicians might have predicted (BW—Oct 24 '36, p34) it is apparent that all factions in the fight will have something to crow about.

Expect Ten Times the Power

The big stations in the Clear Channel Group, for example, are virtually assured that some superpower assignments, involving a tenfold increase in power, will be doled out by the commission in a not too distant future. (To equipment manufacturers each such assignment will mean about a half million dollar's worth of orders.)

In their report the engineers reiter-

ate that such superpower broadcasting is technically feasible, as WLW has proved, but they admit that "social and economic factors involved in the use of 500 kw. may outweigh in importance engineering considerations." It is expected that a special report to be filed soon by Dr. Herman S. Hettinger, analyzing the economic testimony at the October hearings, will bear more directly on this point and will recommend that FCC create an economics section to advise it on the all-important trade and market factors.

One recommendation likely to be approved is that 50,000 watts be established as the minimum required rather than the maximum allowed a station enjoying the exclusive use of a clear channel. This is regarded as opening the door to superpower, if and when its use could be justified by an individual station. More than a dozen applications are pending, and the number is likely to be increased rapidly.

Only 25 stations instead of the present theoretical 40 would be reserved for clear channel stations, but at least five other channels would be available for other 50,000 watt stations. On these Class B channels the dominant station's coverage, even in secondary areas, would be protected, but provision would be made for use of the same channels by other stations with power

ranging from, say, 1,000 to 10,000 watts.

There would be a similar duplication of facilities on the 14 channels reserved for Class C stations, though presumably on a lower scale, but with a minimum of 5,000 watts to appease the National Association of Regional Broadcasters. In either of these two classifications it would be possible to have two 50,000 watt stations broadcasting with directional antennas from opposite coasts or with a separation of 2,500 miles without interference.

Urge Good Engineering

In the award of specific assignments it is suggested that FCC follow sound engineering practice rather than adhere to obsolete standards of mileage separation in order to prevent interference. Now that the Davis amendment to the old radio law has been repealed and assignments no longer have to be made on the basis of population zone quotas, it is apparent throughout the report that the engineers feel a more efficient and powerful radio structure can be built and better service rendered in rural areas if other old arbitrary standards are junked. The report is clear, however, in its contention that the 1928 allocation remains basically sound and that changes should be accomplished only gradually. It is specific in its recommendation that the long-established 10 kilocycle separation between stations be retained.

Nonetheless, modern engineering technique will not only make possible stronger stations but more of them—and without interference. The engineers recommend that 30 channels be exclusively reserved for regional stations covering whole metropolitan areas and broadcasting with power of 1,000 to 5,000 watts, as against the present maximum of 1,000 watts at night. The recommendation that such stations be permitted to broadcast with the same power at night as in the day, instead of cutting down from 2,500 watts to 1,000 watts, is regarded as a significant improvement.

Shorter Range Allocation

Ten other regional channels would be reserved for regional stations separated by relatively short distances and broadcasting with 500 to 1,000 watts power, and the remaining six channels in the existing radio spectrum (from 550 to 1,500 kilocycles) would be given over entirely to local stations whose power would be lifted from a present top of 100 watts at night to a new maximum of 250.

Opening of the high frequency band from 1,500 to 1,600 kilocycles for regular broadcasting is definitely contemplated, and the engineers propose three methods of splitting it up among regionals and locals which would vari-

ably accommodate 160 stations, under the commission's middle course or so. A number of stations probably be assigned to organizations which are badly about lack of experts.

Experts Willing

The engineers are willing to furnish recommendations as to what is reserved for the lower frequencies (desirable). But in such proposals would

O'Mahoney

His bill is startlingly new. H

WASHINGTON (B)

—Curtain raised on Congress some and wages and the O'Mahoney bill will start before a Senate Judiciary committee of which the Wyoming chairman. Following high-tension power written and supported by the Federation of Labor put on as star. Ripley, former whose book, "M Street," attracted years ago. But to Bermuda. O'Mahoney, however

Has No White

The bill does not have endorsement. At Pennsylvania Avenue, it is proposed that the Department of Commerce and O'Mahoney's assistant plugging for business to take it so that Congress could avoid hazards and by drawing a distinction between which have flesh-and-blood would require engaged in commerce which is more distribution, to the government federal incorporation.

Fundamentally O'Mahoney bill has been vastly elaborated charter provisions employment of men of age; also of

JANUARY 23, 1937

ably accommodate either 40 new stations, 160 stations, or 400 locals. Very likely the commission will choose the middle course or some modification of it.

A number of these stations will probably be assigned to educational organizations which have complained badly about lack of facilities.

Experts Willing to Aid

The engineers have indicated their willingness to furnish specific recommendations as to which channels should be reserved for which classifications (the lower frequencies are the more desirable). But it is not likely that such proposals would drastically alter

the present division of channels, for FCC obviously intends to go through with the reallocation with a minimum of ruckus, since any undue agitation would play into the hands of Sen. Wheeler, who is threatening an investigation of why newspapers hold so many licenses, why chains control so much of the spectrum, and what superpower is likely to do to small stations.

After the basic pattern is laid out and before specific awards are made, additional hearings will probably be held, and FCC will have obtained some assurances from the Canadian and Mexican governments in order to avoid disruption of whatever is planned.

O'Mahoney's Humdinger

His bill for federal chartering of corporations has startling provisions, and business must take it seriously. Hearings are about to begin.

WASHINGTON (*Business Week Bulletin*)—Curtain raiser for legislation to give Congress some control over hours and wages and corporate business in general is the O'Mahoney bill. Hearings will start on Monday, Jan. 25 before a Senate Judiciary subcommittee of which the Wyoming senator himself is chairman. Following several months of high-tension promotion for the bill written and supported by the American Federation of Labor, O'Mahoney hoped to put on as star witness Prof. William Z. Ripley, former Harvard economist, whose book, "Main Street and Wall Street," attracted national attention 10 years ago. But Prof. Ripley has gone to Bermuda. O'Mahoney can be relied upon, however, to make headlines.

No White House O.K.

The bill doesn't have White House endorsement. At that end of Pennsylvania Avenue, it is only one of many proposals that Roosevelt has referred to the Department of Justice for study, but O'Mahoney's backing and his constant plugging for the bill forces business to take it seriously. On the theory that Congress can avoid constitutional hazards and legislate effectively by drawing a distinction between corporations, which have no natural rights, and flesh-and-blood business men, the bill would require every corporation engaged in commerce among the states, by which is meant production and/or distribution, to take its charter from the government either by license or by federal incorporation.

Fundamentally, the principle of the O'Mahoney bill is not new but it has been vastly elaborated. Licensing and charter provisions would prohibit employment of minors less than 16 years of age; also of minors less than 18 in

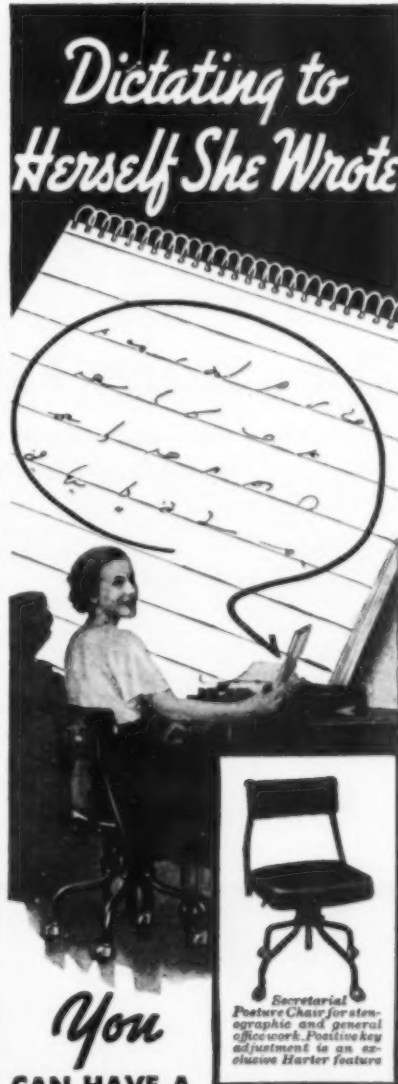
hazardous occupations or at any time between 7 p.m. and 7 a.m. Many protective features are thrown around the right of employees to self-organization, and employers would be bound by the bill to comply with all provisions of the National Labor Relations Act, as interpreted by the National Labor Relations Board. Collective bargaining would be mandatory and guided by the principle that pay shall be raised and hours reduced in accord with increased profits due to mechanization and other causes.

For good measure, the bill would empower the Federal Trade Commission to recommend to Congress a minimum wage for unskilled labor in any industry in which it finds that abuse of labor has not been eliminated by collective bargaining. The commission would also have the power to revoke the license of any corporation which it finds to be at fault in any strike, lockout, or other labor dispute in which it has caused the calling out of police or militia to protect strikebreakers.

Conditions entitling a corporation to a license govern eligibility of officers and directors, limit surplus to a still-to-be-determined percentage of its capital stock, and provide for certification of "corporation representatives" who, holding the proxies of stockholders, would actively exercise their rights to nose into the conduct of the business. Such representatives would qualify by civil service examination and their salaries would be paid half by the corporation and half by the Trade Commission.

This is no more than a sample of the nature and extent to which a corporation's policies and the conduct of its business would be subject to government control. The Trade Commission

Dictating to Herself She Wrote



You CAN HAVE A HARTER POSTURE CHAIR TOO

Secretarial Posture Chair for stenographic and general office work. Positive key adjustment is an exclusive Harter feature.

Once you try a Harter Chair you will like it as much as Miss S. who wrote: "It is only the second day of the free trial but I would like to see anyone just try to take this Harter Posture Chair away from me."

Scientifically designed to make correct posture natural and easy, the Harter Posture Chair causes one to assume a healthful, restful position—to sit erect without effort. Correct Posture improves health, relieves fatigue, increases efficiency and adds to comfort.

There is a Harter Posture Chair especially designed for every type of seated work. Instant and positive key adjustment insures easy fitting.

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MANUFACTURER OF THE WORLD'S
FINEST STEEL SEATING EQUIPMENT



FREE Our Brochure, "For Health's Sake—Correct Posture." Write: Desk 117.

would operate under a broad statutory injunction to develop a program for the stabilization and development of the basic industries and for a more equitable distribution of earnings to employees and investors.

To build the commission up to its job the bill provides for increasing its membership from five to nine, one of whom would be appointed from nominations by "a recognized national organization of employees" by which is not meant John Lewis' Committee for

Industrial Organization, and another by a "recognized national organization of employers," which might mean either the National Association of Manufacturers or the United States Chamber of Commerce. It would be left to President Roosevelt to pull a representative of the consuming public out of his hat. Actual administration of the law would be in charge of a Bureau of Corporations, within the Trade Commission, and a Commissioner of Corporations, who would draw a salary of \$7,500.

Those 10,000 Furniture Buyers

Setting a new attendance record at Furniture Mart in Chicago, they place orders estimated at \$60,000,000. Merchandise Mart also crowded.

THIS week Chicago's famous Gold Coast district was slowly recovering from the effects of a gold rush invasion that for two long and golden weeks had kept bar doors swinging, show girls singing, and the cash registers ringing under the persuasive influence of a flood of money that was found flowing freely from the bulging pockets of once more prosperous and optimistic furniture men.

It must be explained that said Gold Coast, located on Chicago's near North

Side, is literally dotted with hotels, classy night clubs, gambling joints, and shady taverns and bar rooms of brilliantly lighted fronts and dim interiors, while towering far above that galaxy of glamorous gaiety, and right in the heart of the Gold Coast, stands the majestic Furniture Mart, the Mecca of all those furniture men, whither they travelled to see, bargain, and buy.

That the furniture clan all over the country had decided that there would be plenty to see at this year's "winter"



FIRST OF 28—B.O.R.R. has long bridged over-water gap between Manhattan ticket offices and Jersey City rail head with busses. Now come 28 new 12-cyl. air-conditioned busses with chassis by White, bodies by Bender, streamlines by Otto Kuhler, industrial designer.

market was demonstrated by the fact that they piled up a new attendance record. Ever since 1924 when the huge palace was built, the enthusiasts have dreamed of the time when 10,000 or more buyers would attend the "markets." When the final curtain was dropped the total of registered buyers was 10,308.

There were more than 800 exhibitors and the buying was brisker than at any time in recent years, with buyers getting away from the cheap lines and going to better grades.

Fancy "Borax"

Manufacturers had anticipated this drift by offering better designs and highly improved finishes—at better prices. Some of the well-known borax lines could hardly be distinguished as coming from the same family, because patterns were modernized and finishes made them competitors in higher-price brackets.

Outdoor furniture contributed materially to the estimated total of \$60,000,000 of orders that were placed during the show.

Despite the inroads made by painted and chromium-plated furniture into the old established rattan and fiber summer lines, one of the largest producers in the field has come out with a new line of rattan summer furniture that challenges the best traditions of the steel-tube enthusiast—the answer being that the company's own warehouse manager at Singapore was charged with the responsibility of finding a supply of heavy

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DESIGNERS • BUILDERS • PRODUCERS • MANUFACTURERS



CARRIES 10,000,000 PISTON RINGS IN STOCK

—Piston rings in every size for every type of automotive, marine and industrial use in gasoline, Diesel and steam engines, are produced by Koppers in its American Hammered Piston Ring Division Plant. Warehouse stocks are carried in many parts of the country. Call on Koppers when you need piston rings.

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KOPPERS SUBSIDIARIES AND AFFILIATES—Eastern Gas and Fuel Associates... Hiller Engineering and Construction Company, Inc... The Koppers Coal Company... Koppers-Rheolaveur Company... The Maryland Drydock Company... The White Tar Company of New Jersey, Inc... The Wood Preserving Corporation.

JANUARY 23, 1937

that could be used to build steel-type of units, and the factory is booked to capacity for this season. Makers, who in previous years had invaded this field, this year were found to be stepping out with a new assortment of numbers. New streamlined designs and strikingly brilliant color combinations coaxed the order-writing pencils of buyers. Some manufacturers who formerly made an extra charge for summer furniture in white finish found themselves swamped with orders because the extra charge had been eliminated and the ordering retailers are convinced that, as summer furniture is concerned, America is "going white" in 1937.

Bargain on Delivery

And, all reports to the contrary notwithstanding, there was considerable bargaining between seller and buyer, but it did not pertain to price. Buyers took the price increases of 6% to 8% without a murmur. They were not surprised to be told that the year would see prices go perhaps 10% to 15% higher. But—they did want to bargain about deliveries.

Dealers, who thought they were buying heavily at last year's summer and fall markets, found their stocks depleted and practically stripped after the rush of holiday buying was over. So there was no bargaining about price but lots of jockeying for delivery dates. This situation was complicated particularly for manufacturers of dressers, chiffoniers, and other items that require mirrors because the prevailing strikes in all important glass plants have created a mirror shortage.

The experience of exhibitors at the huge Furniture Mart was repeated by those who were showing their wares at Marshall Field & Co.'s no less imposing Merchandise Mart. There also were around 10,000 buyers registered at the desk, while during the two weeks' showing the Mart's clockers pushed their little palm-enclosed counters of general visitors over a million times and registrants were from 47 different states (all but Nevada), many foreign countries.

What the Figures Show

Estimates as to total business booked at the two marts vary materially, but the Furniture Mart's statistician contends that the average order placed by the 10,000 buyers was \$6,000, which would score \$60,000,000, while at the Merchandise Mart, with smaller-unit merchandise predominating, the total of orders is placed at \$25,000,000.

Certain it is that the Gold Coast took a sizable "rakeoff" among which two complete bed-room suites and other important prizes of furniture must score as having been added to the furnishings of gay girls who won popularity contests staged by furniture men.



INSIDE AND OUT BY STURTEVANT AIR CONDITIONING!



General Aniline Works, Inc., Albany Division

Protected against dye dust...cooled...heated

At this new dye manufacturing plant of the well-known General Aniline Works, Inc., Rensselaer, N. Y., protection against fine dye dust is essential. It must be removed from the air *inside*... must be prevented from escaping to the *outside*.

This has been accomplished by Sturtevant Air Conditioning Equipment...engineered and installed by Cooling and Air Conditioning Corp., subsidiary of B.F. Sturtevant Company.

During the summer, this equipment also

contributes to the comfort and efficiency of employees by cooling the entire building. In the winter, it takes over the entire heating job.

If you have an air conditioning or air handling problem, take advantage of Sturtevant's 75 years of air engineering experience.

B. F. STURTEVANT COMPANY

Main Office: Hyde Park, Boston, Mass.

Sales Offices in 40 Cities. Plants at Hyde Park, Mass.; Framingham, Mass.; Camden, N. J.; Sturtevant, Wis.; Berkeley, Cal.; Galt, Ont. B. F. Sturtevant Company of Canada, Ltd. Galt, Toronto, Montreal.

Sturtevant

REG. U. S. PAT. OFF.

Puts Air to Work

WORLD'S LARGEST MAKERS OF AIR HANDLING AND CONDITIONING EQUIPMENT



Patman's Triple Threat

Congressman seeks more money to enforce Robinson-Patman Act. Also wants laws to foil private branding, and permit nation-wide price-fixing.

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Business Is Cooperating

And candy companies, he says, are cancelling advertising allowances to large purchasers, and major oil companies which "have been giving concerns like the Great Atlantic & Pacific Tea Co. a lower price on gasoline and other petroleum products than they have been giving their own dealers" are correcting their schedules in conformity with the law. Business generally is credited with "fine cooperation," but the need for more vigilant police work is emphasized in the case of a rubber footwear company which continues to give one unnamed buyer a 32% discount from prices quoted small dealers.

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Singles Out First Chain

The complaint issued simultaneously last week against the Great Atlantic & Pacific Tea Co. is, however, a horse from another milk wagon, for in this action FTC attempts to fulfill the complete promise of the R-P act. A. & P. is not only the biggest chain in the country and the first chain with which FTC has elected to come to grips in its enforcement drive, but it is the chain whose \$6,000,000-a-year in advertising allowances, as revealed in the Patman inquiry, heaped so much fuel on the fire when the R-P law was only an idea.

A. & P. is accused of having accepted discounts and allowances in lieu of brokerage, but the complaint is not detailed, and A. & P. denies all charges. There is a suspicion that FTC rushed the charge through to keep pace with the Department of Agriculture which last month issued an order, effective Feb. 1, requiring A. & P. to cease and desist from the collection of fees through dummy brokerage houses in violation of the Packers and Stockyards Act (BW—Jan11'36,p9).



5 AND 10 LURES—4th Annual 5 & 10 Packaging Show, Rockefeller Center, New York, reveals how variety stores will lure tinkling nickels and dimes in 1937. 1st prize in 5 & 10 Packaging Contest sponsored by The Syndicate Store Merchandiser goes to Woodbury's face powder container, 2nd to Wilbert's "No-Rub" Shoe White, 3rd to Bauer & Black's "Handi-Tape" and "Handi-Snips". Pratt Institute students exhibit how they would package various standard merchandise if given the jobs they dream about

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New Products—New processes, new designs; new applications of old materials and ideas.

has been trickling in for some time that farmers were increasing tractor and riding quality by partially inflating their huge pneumatic tires with a gas. B. F. Goodrich Co., Akron, O., has just completed tests which condone even commend the practice—suggesting commercial calcium chloride as a gas to use during winter—provides similar water inflation with a new hose and a new pressure tank. Water is not recommended for automobile truck tires.

Pullman principle of upper- and lower-berthing comes to the aid of Gair Co., Inc., 155 E. 44th St., New York, in designing the new carton



Business Week

Pudola Corp., 20 W. 22nd St., New York. The lower carries a full-size jar of shaving cream; the upper, a sample. If the sample does not satisfy, return the full-size jar and get your money back.

The trend toward greater mobility of construction equipment exemplifies it in "Wheeled Roller No. 135" of the Wheeler Roller Corp., San Antonio, Tex. A truck tows the 2,350-lb. roller to the job on a pair of inbuilt pneumatic tires. On the job, the operator lifts the roller by a tongue up and over, lifting the roller off the ground and letting the roller roll into place. Using the same tongue and a magnified tiller, he then guides the roller, driven by an air-cooled gasoline motor, back and forth over the area to be rolled.

THODOX disc talking machine reproduces records swing from a pivoted arm, the construction of which causes the needle to change angle (or tangent) as it moves from groove to groove, thereby interfering with tonal clarity and bringing records to an early grave. Astatic Microphone Laboratory, Youngstown, O., is bringing out the "Tru-Tan" crystal pickup with an offset head, so designed as to hold the needle practically true to tangent during the entire playing of a 12-in. record.

DESIGNED originally for weighing anchor on small boats, hoisting sails, warping at piers, the "Ideal Electric Capstan" of Ideal Electric Windlass Co., 148 State St., Boston, is finding efficient application on light motor trucks as well. Delco motor handles loads up to 500 lb.; 120-ampere-hour 12-volt battery furnishes sufficient power to lift 300 lb. steadily for an hour.

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"ZIN-O-LYTE," the new zinc molybdenum electroplating process, comes from the laboratories of duPont's Graceli Chemicals Dept., Cleveland—produces a brilliant finish without bright dipping, a polished surface, in other words, direct from the bath. Moly, co-deposited with zinc, does the trick.

PLANT operations ranging from the heat treatment of steel to the ironing of shirts to the baking of biscuits, all require a strict observance of the time element. Comes Production Instrument Co., 1325 S. Wabash Ave., Chicago, with a new "Production Guide" which can be set



Pach Associates

for a given number of units per hour, like 50, or 60, or 70. At the end of the time allotted each unit, a signal light will light or a bell will ring, or both. A manually operated hand establishes the percentage of loading time to working time, and if desired, an automatic solenoid release will start and stop heat treater or biscuit baker.

SCRAPPING TRADITION



Three and a half pounds lighter. Scratch-proof finish. Quieter. New convenience features. Smart, modern contours... There's the modern formula for more vacuum cleaner sales!

Thirteen new plastic parts help make this new Hoover the most salable cleaner on the market. Motor-housing, connectors, crevice-tool, etc. are molded of Durez—half the weight of aluminum, non-resonant, and fabricated complete in a single operation. Other plastic parts are the tear-drop motor cover, blower attachment, ventilating fan, bag attachment and core plugs.

Redesigning with plastics means more than new sales arguments, too. With the new Hoover, demonstrators can't chip the molded hood, and thousands of dollars in factory refinishing are saved. And the Durez parts are made in one operation, complete to holes, lugs, imbedded inserts and final lustrous finish.

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Why not let Durez bring these same advantages to your product? For further information and a copy of free monthly "Durez News" write General Plastics, Inc., 151 East Walck Road, North Tonawanda, New York.

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TIGHT BOUN

New Products—New processes, new designs; new applications of old materials and ideas.

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HTLY
UND

Latin America Our Cotton Rival

Brazil leads in the spectacular increase of production by countries south of us. Argentina is next. Both are pushing their exports to world markets.

THE United States is still the world's largest cotton producer, but it has lost its old record of growing more than one-half the world's cotton.

Russia is again a big producer, and Egypt, China, and India are growing a little more of the clothing staple every year, but the spectacular newcomer is Latin America—particularly Brazil.

While Moscow is using most of its rapidly growing output of cotton to clothe its 165 million people, Latin

America is developing a steady surplus to sell in world markets where the dominant competitor is the United States.

One out of every 10 bales of cotton now moving in international trade comes from Latin America. Ten years ago, the vast region south of the Rio Grande provided less than one bale in 20.

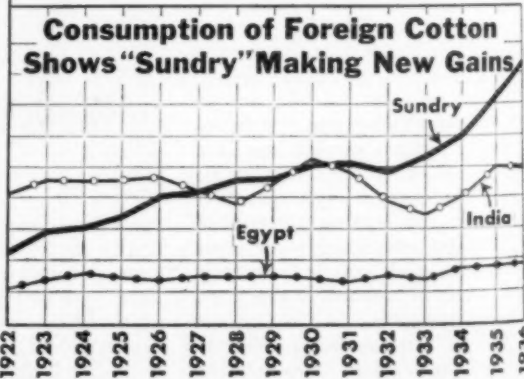
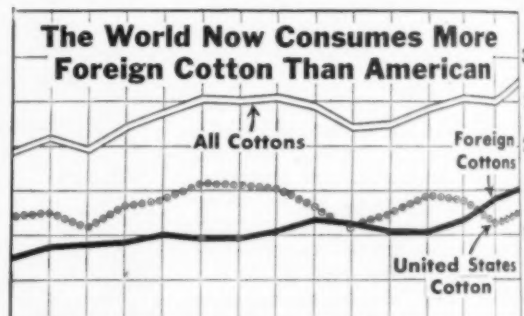
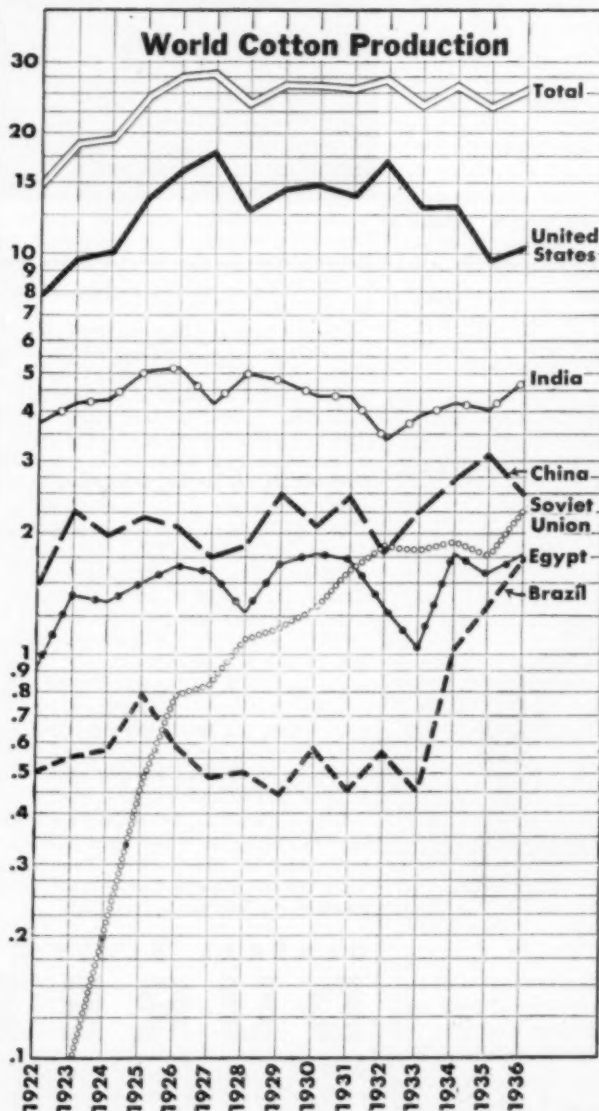
Brazil, Argentina, Peru, and Mexico are the countries where soil, climate, and local initiative have contributed to the development of an important supply.

In Peru and Mexico, cotton is largely on irrigated land; so, while it is of good quality and a fairly staple, the crop is not likely to expand spectacularly in the near future.

Brazil and Argentina are the countries for Southern growers to watch; they have just made a start in the cotton growing business and with a limited population at home to absorb output, they are bound to be increasingly keen competitors for a large share of world cotton business.

Brazil moved into the big league of cotton growers in the 1933-34 crop year when a million bales went to market, a few more than half of them for export. Two years later, production jumped almost to 1½ million bales, and exports were rumored to be as high as 1,000,000 bales, though official figures

NEW COMPETITION HITS AMERICAN COTTON



(In 000,000 bales)

© BUSINESS WEEK

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Brazil has two kinds of cotton—tree and American. Tree cotton grows in the north, and has long been an agricultural staple in that region. American type cotton comes mainly from the São Paulo region, and accounts for most of the gains of the last few years.

Coffee dropped from 52% of all Brazilian exports in 1935 to a bare 45% in 1936, while cotton jumped from 17% to 20% of the total.

Britain is ordinarily the best market. Japan was a close second to England, the Japanese making special efforts to increase purchases in the hope of tempting Brazil into buying more Japanese goods in return. Also, Brazil's very large Japanese colony happens to be located in São Paulo province and probably accounts for specially favorable connections with Nipponese textile interests. Germany took less cotton from Brazil last year than in the previous season.

Sharp Oil Increase

Brazil's cottonseed oil industry—with 11 mills, 2,700 workers, and a capacity of 2,000 tons of oilseeds a day—has increased output from 8,000 tons in 1931 to 45,000 tons last year, the bulk of which was sold to the United States.

Business Week's latest report from Buenos Aires is that Argentine cotton farmers are likely to push their production to 1,000,000 bales in three to five years. Best record to date is 300,000 in the last crop year, but new plantings for 1937 are a third larger than last year.

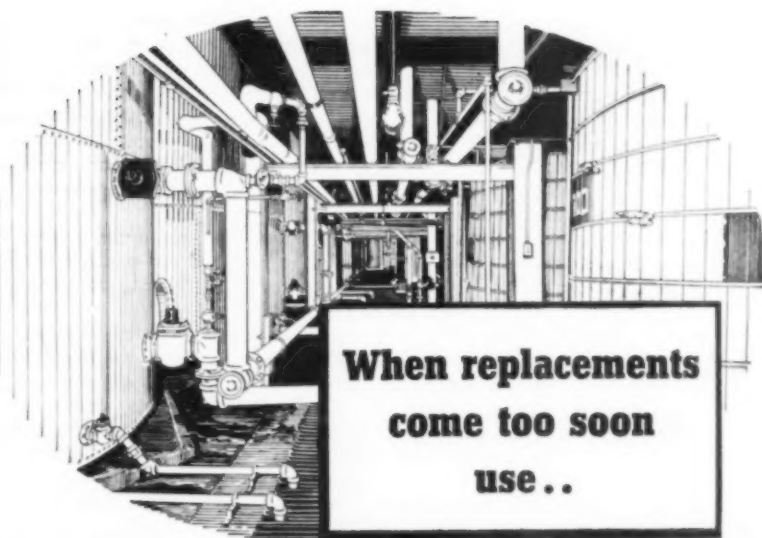
Large cotton brokers from the United States are already well established in both Brazil and Argentina. Anderson Clayton & Co., American cotton brokerage house, is reported to have spent \$10,000,000 in Argentina recently.

Argentina grows its cotton up in the Chaco—near the Bolivian and Paraguayan borders. Land is flat, cheap, and fertile. So far, fewer pests have affected the plants than in many important world producing regions.

In both Brazil and the Argentine, the industry got its recent boost from common causes. The United States crop restriction reduced the supply of cotton on world markets, and boosted prices to the advantage of all other producers.

In both Brazil and Argentina, badly depreciated currencies acted as a tariff barrier for a struggling young textile industry which, in addition, was able to win almost complete protection through prohibitive tariffs in both countries. Its sudden demand for home-produced raw cotton was just the needed impulse to put a struggling farm business on its feet.

According to a report released recently by the Pan American Union, Argentina now ranks next to Brazil and



**When replacements
come too soon
use..**

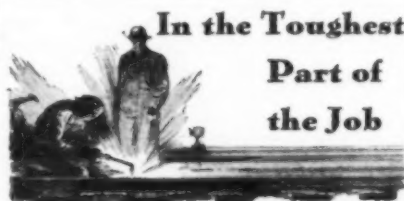
BYERS WROUGHT IRON

Premature replacements in your plant—piping or tanks—show that corrosion is too much for the material. When other ferrous metals can't take it—that's usually where wrought iron will last longer and therefore cost less. Let our laboratories

help your engineers analyze corrosion in your plant. Write for "Wrought Iron in Industry"—illustrating current industrial uses. A. M. Byers Company. Established 1864. Pittsburgh, Boston, New York, Philadelphia, Washington, Chicago, St. Louis, Houston.

BYERS

GENUINE WROUGHT IRON TUBULAR AND FLAT ROLLED PRODUCTS
Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements



**In the Toughest
Part of
the Job**

...You Find MALLORY

In making arc welding repairs, the part of any welding holder that takes the greatest punishment is the jaw.

Nowadays holders are made with replaceable jaws of Mallory 3 Metal—that gives the most efficient operation with the greatest economy.

Mallory high-conductivity welding materials have a national reputation for usefulness in the toughest welding jobs—their applications are innumerable—not only in resistance welding where Mallory is indispensable—but in many forms of arc and gas welding.

P. R. MALLORY & CO., Inc.
INDIANAPOLIS INDIANA

Cable Address—Palmallo

P. R. MALLORY & CO. INC.
MALLORY

PARTS FOR RADIO, ELECTRICAL,
AUTOMOTIVE AND INDUSTRIAL FIELDS



**FOR SALE
AT KEY WEST, FLA.**
**Complete Terminal Facilities
of Florida East Coast Rwy.**

Huge concrete piers and deep-water steamship docks of permanent construction, buildings and a large land area; total water frontage 12,000 feet. Suitable for warehouse, packing and canning plants, yacht or seaplane base.

An ideal location for the establishment of a FREE PORT for the transferring, warehousing and processing of goods in transit. For further details address—W. R. Kenan, Jr., and S. M. Loftin, Receivers, Florida East Coast Railway, St. Augustine, Fla.

Mexico in Latin America as a textile producer. Argentina now has more than 250,000 spindles, and much of the industry is operating at capacity on a two-shift basis, but managed last year to consume only about 100,000 bales of the rather short staple cotton produced at home. Long staple fiber is still imported, and the better qualities of cloth, but the cotton from newly-irrigated regions may make this unnecessary in the next five years.

Hampered by Labor Shortage

Greatest threat to the fullest expansion of the industry in both Brazil and Argentina is a shortage of labor. Also, in both countries there is need for highway development, or the extension of railroads into the region where land is still cheap and cotton grows well.

The supply of cotton in world trade which comes from the so-called miscellaneous producers has doubled in the last 10 years. Some of them undoubtedly could be squeezed seriously if the price of cotton should decline. Few of them are likely to be driven out of the market even if United States restrictions are completely lifted. They are new and permanent competitors who must be acknowledged in planning our cotton future.

Japanese Mystery

New foreign exchange control may mean devaluation; Washington shows concern.

JAPAN'S foreign exchange control law (BW—Jan 16 '37, p 53) was officially acknowledged in Washington this week by the concern of the Treasury Department over its possible implications.

In the most approved Oriental manner, Japan has refused to reveal all details of the purpose or probable method of enforcing the exchange ban. Washington takes the attitude that such a move in most other countries in the recent past has preceded important monetary developments, and that it is therefore especially wise now to extend the life of our \$2,000,000,000 exchange stabilization fund to meet any emergency.

The official translation of the foreign exchange regulations has not yet been received from Tokyo, but the Yokohama Specie Bank, which is the authorized Japanese foreign exchange agency, has released this summary of the major restrictions.

Effective since Jan. 8, a permit has been required by the Japanese government covering all exchange transactions and all acquisitions of letters of credit covering payment of imports into Nippon.

Exchange transactions controlled un-

der this regulation include the buying of all foreign exchange, sales of yen exchange in foreign countries, remittances to foreign countries, and even the execution of exchange contracts which were made before this decree.

There are four important exceptions to these rules, where no permit is required:

1. Where the aggregate amount of exchange required for one month does not exceed 30,000 yen, or its equivalent;

2. Where exchange transactions arise out of letter of credit acquired by permit or where permit is not required;

3. Where documents demand payment on goods which had already been shipped from foreign ports before the decree was made;

4. Where documents are presented for goods shipped within a week from the date the decree was promulgated.

Japanese who might wish to deposit accounts abroad because of the fear of Japanese monetary insecurity, and foreigners attempting to withdraw capital and profits from affiliates in Japan, must secure a permit. So must investors abroad who wish to withdraw income from their holdings of Japanese domestic securities.

The whole situation is shrouded in mystery. Banks and exporters revealed to *Business Week* that the first delays in securing permits to cover normal merchandise exports to Japan no longer occur, the routine of handling the new procedure evidently having been worked out. Delays are reported, however, on capital shipments from Japan.

Yen exchange has recovered from the weakness of the early part of January. There is no indication yet that the ban is more than an effort to prevent a flight of capital which might be precipitated by the continuing unbalance of the Japanese budget, the steadily rising demands of the all-powerful military group over the country's politics, and the fear that large new investments in Manchukuo and North China will be jeopardized by the new political developments in China.

It is the fact that it may presage some drastic move to channel both Japanese imports and exports for political purposes, or that it may be the first step in a further devaluation of the yen, that is causing concern here.

Go Slow on Barter

German trade scheme makes little progress, because of many risks involved.

LITTLE progress was made this week on the plan to barter fresh shipments of American cotton for a long list of German items which normally come into the United States as a regular part



INEVITABLE?—U. S. army officials believe that any attack upon this country will be largely aerial, and the Edgewood arsenal at Washington is turning out thousands of gas masks for any national emergency. Raw materials and all parts are tested and retested to insure the maximum amount of safety to wearers. Having passed the final tests, masks are shown being assembled to be packed and stored.

of the foreign trade of the two countries (BW—Jan 16 '37, p 50).

There is a sound basis for a fair volume of business between Germany and the United States. We have a number of important raw materials which German industries need badly—particularly cotton. Germany has a number of finished products which are non-competitive with American goods.

Subsidy Reduced Imports

Much of this business dried up less than a year ago when the German export subsidy cut competitive prices to the point where they began to affect American business, and brought into effect special duties here.

The big cotton houses, and some of the large banks which have large accounts frozen in Germany, are reluctant to go into business on the virtual barter arrangement permitted by the recent Treasury ruling. In the case of cotton, average profit per bale is no more than \$1. Often the risks of legal difficulties arising out of German imports meant to pay for the cotton are greater than the profit warrants.

In addition, Germany is unwilling to allow all her export lines to be included in the deal. A list of those items which cannot enter the barter business is expected in this country before the end of the month.

Meanwhile, some exporters of cotton and other raw materials which Germany wishes to buy are canvassing the possibilities among established merchandisers of disposing of German goods which they may import. Technically, this is said not to conflict with the Treasury ruling so long as no contract is made before the goods are cleared through the customs here by the original importer.

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Business Abroad

Business is watching Washington and London for important announcements concerning spectacular new moves covering foreign trade, war debts, commercial credits; and Tokyo for the outcome of an internal clash on which rests the future of Japan's plans in the Far East.

PLANS for wider international economic cooperation are under consideration in Washington, Paris, Berlin, London, and Rome. They include new trade pacts—especially the Anglo-American and Franco-German, war debts, the freer distribution of essential raw materials, and fresh commercial credits for needy countries.

Germany can be bought off, at least from its extreme ambitions, but it must be done discreetly so as to save the government's face. Plans under consideration are guarded closely until they take shape.

Moves by private business in the last two weeks to help Italy reveal the usual ability of alert business leaders to move in step with government planning and ahead of government action.

The exchange control situation in Japan (page 50) can become a major complication. Much hinges on the session of the Diet which reconvened this week, and in which will be fought out the battle between the militarists and the more conservative members. Japan would meet opposition of Britain and the United States in devaluation.

Argentina continues to be the bright spot in the Latin American picture.

France

Business is improving; markets are up. Italo-German aims are to be interpreted.

PARIS (*Wireless*)—Easing of the tension over Spain, the outward improve-

ment in Franco-German relations, and the brighter prospects for cooperative action for peace by Italy, Germany, Britain, and France have helped to buoy prices on the Bourse this week. Even treasury obligations have improved, after falling far behind the trend in December. Raw materials stocks (especially rubber, copper, phosphates, and chemicals) are still the favorites on the commodity market.

Other business indicators reflect the increased optimism. Railroad receipts are 15% ahead of last year. Unemployment is 10% below last year. December tax returns were 10% ahead of 1935, with the especially sensitive sales tax up 14%.

French exports held their own in 1936. Imports were up 19%, and were 40% greater in value than exports.

Goering's visit to Rome is interpreted here as the occasion to (1) discuss the Spanish affair, particularly the British note regarding volunteers; (2) attract Yugoslavia out of the Little Entente, with the aim ultimately of isolating Czechoslovakia; and (3) examine in-

Credits for Italy

Washington has confirmed reports that the Export-Import Bank will begin immediately to accept applications from cotton shippers who wish to sell to Italy, and will underwrite export bills up to \$3,500,000, this figure representing a 75% government guarantee on the credit involved. The credit will run for nine months. This move follows last week's report from *Business Week's* British correspondent that the London money market is again discounting Italian commercial bills in quantity and reopening trading credits for first class Italian firms.

creased air cooperation in the Mediterranean, in spite of the recent Italo-British agreement.

Germany

Berlin fears revival of north-western Europe's customs union will hurt Germany.

BERLIN (*Cable*)—Reich authorities are seriously alarmed this week over the move by the Netherlands to revive the Oslo customs agreement (*BW*—Jan 21 '31, p 30).

The Oslo conference, and the resulting agreement, was one of the desperate moves made early in the depression to prevent further foreign trade deterioration. Holland, Belgium, Luxembourg, and the Scandinavian countries joined in the effort. Together they made up a population of more than 28,000,000, which did a larger export trade in 1929 than Germany. To all of them, exports are an important part of daily business. They needed to act



A. W. Brown

ARGENTINA'S CABIN IN THE COTTON—In the great open spaces 600 miles northwest of Buenos Aires, farmers are pioneering a new cotton frontier. Equipment is primitive, and many of the farmers lack experience, but production is climbing rapidly and the Argentine is becoming a factor in the cotton world. American experts say they will be growing a million bales a

year in five years, and that as soon as the Argentine's new highway system connects the plantations with the railways, Buenos Aires will become important as a cotton, as well as a grain, port. The farmer is a Czechoslovakian who is in the Argentine to stay, and who probably will stay in cotton. U. S. cotton exports in the present crop year are already 650,000 behind last year.

collectively to protect their markets and to bargain their way into new markets or maintain old markets.

This week's proposal to revive that plan is viewed with suspicion in Berlin as an effort to build up a common economic front against Germany. The press is taking the opportunity to reiterate emphatically that the German four-year self-sufficiency program is not aimed at isolating Germany from its neighbors, particularly those that supply foodstuffs, but is merely an effort to save foreign exchange on those items for which synthetic substitutes can be found in order to buy abroad foodstuffs and other unobtainable raw materials.

Great Britain

Housing program gets new boost from Overcrowding Act. Film companies will be reorganized on sounder management basis. Business is good.

LONDON (Cable)—There is no letup in British business activity this week, but markets have reacted mildly on the uncertainty over Spain and the fear that the General Motors strike in the United States will spread to other key industries and cause serious liquidation of now profitable holdings.

The domestic outlook is brightened by the yearend employment outlook which shows that the number of workers in Britain increased 519,000 last year, and weekly wage payments jumped more than \$2,435,000 above the average of the previous year. These increases were spread over 4,000,000 workers, and form the largest income increase since 1924.

National savings are increasing, in addition to the steady increase in retail

turnover. For 1935-36, it is estimated that through the Postoffice Bank (comparable to the Postal Savings in the United States), other savings banks, friendly societies, provident societies, and insurance (other than life policies), there was an increase in this thrift money of more than \$340,000,000 during the year, bringing total savings to more than \$14,310,000,000. State-controlled avenues of thrift, including Savings Certificates, account for \$6,735,000,000 of the total, an increase of \$870,000,000 since 1932.

To many British observers, this seems a high proportion of state-controlled funds, but the growth of Unit Trusts is proving a counterpoise. These now absorb anything between \$275,000,000 and \$350,000,000, with the average holding between \$1,000 and \$1,750. (Average holdings of individuals in the big industrial companies in England is about \$1,600.)

Concern for the small investor is behind the pending legislation in Britain to control unit trusts, and agitation for the reform of company law.

Boost to Housing

Building plans rose in December, on a cost basis, 2.2%. Housing contracts declined, but were more than counterbalanced by the increase in public buildings.

There is small fear in the construction and home supply industries that home building is going to slump in Britain, in spite of the general feeling of the last six months that activity had passed its peak. Britain's Overcrowding Act became effective on Jan. 1. It lays down fixed rules on the number of persons who can occupy a standard size living and sleeping room. Present estimates are that this creates an immediate

shortage of 200,000 houses which must be supplied promptly.

General public agitation which followed the failure of three of the big British film companies is beginning to disappear, though several large insurance and finance houses are said to have lost several millions which will be drawn from hidden reserves, thus causing no further general alarm.

Bad Planning

London authorities lay the blame for the collapse of the companies to unskilled promoters who lavished enormous expenditures on a few major films with no hope on a sound bookkeeping basis of recovering their outlay even if the features could be booked to capacity. This expectation developed out of the sudden success of Alexander Korda's huge success with "Henry VIII," which led the promoters to believe that they had uncovered a huge new market in the United States.

Steps are being taken to rationalize the remaining solvent companies in an endeavor to place British films on a new economic basis, with production divorced from expenditure by introduction into the management of business managers representing the people who have provided the capital for the enterprise.

Latin America

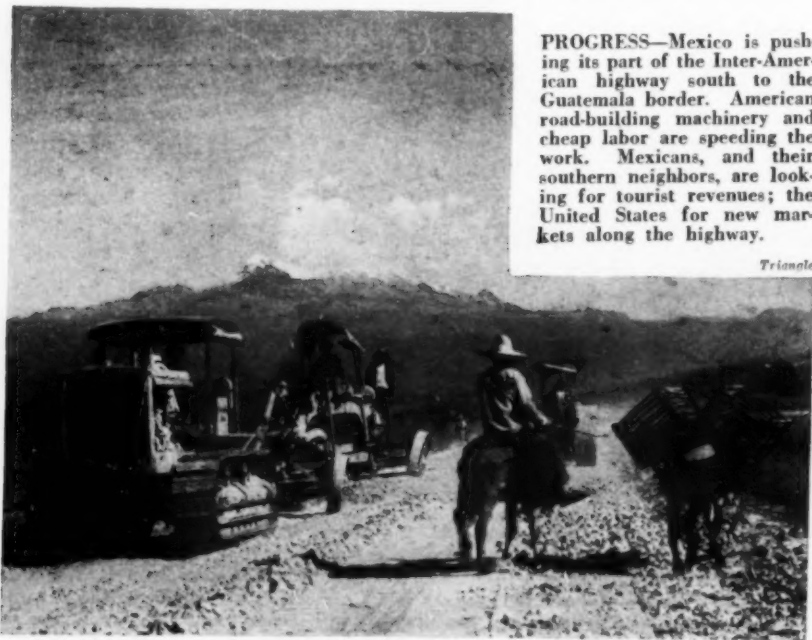
Argentina begins liquidation of foreign debt. Trade with U.S. will expand.

ARGENTINA'S announced intention this week of retiring by Aug. 1 nearly \$40,000,000 of obligations outstanding in the American market is further proof of the excellent condition of Argentine finances.

The issues to be retired are the Government of the Argentine Nation External Sinking Fund 6% bonds of 1927 due Feb. 1, 1961, and of the Government of the Argentine Nation External Sinking Fund 5½% bonds of 1928, due Feb. 1, 1962, now outstanding and not previously called for redemption. The funds for this retirement will be deposited on or before Feb. 1, 1937 with the fiscal agents of the loans.

Considerable optimism is growing in Buenos Aires over the prospect of the reopening of the United States market to Argentine meat subject only to the usual sanitary regulations. As soon as the sanitary convention is passed in Washington, it is expected that the United States will settle inspectors here just as the Europeans do to pass on the fitness of meat entering into the trade.

In spite of the withdrawal of the Standard Oil Co. from the Argentine, following the creation of the government oil monopoly and virtual control



PROGRESS—Mexico is pushing its part of the Inter-American highway south to the Guatemala border. American road-building machinery and cheap labor are speeding the work. Mexicans, and their southern neighbors, are looking for tourist revenues; the United States for new markets along the highway.

Triangolo



BAZAAR GONE MODERN—Jerusalem's new market place which was opened recently just before the announcement of a huge swamp reclamation project in Northern Palestine, where farm land for 2,500 homesteads will be made available. Modern market places, such as this, will play an important part in distributing farm and manufactured products of the new Palestine and will make them known to tourists.

over all oil sales, Shell-Mex has so far remained in the field and is doing a good business. The government's efforts to check all oil sales in Buenos Aires, the country's major market, failed to pass the federal council.

Other American interests are finding reason for optimism in Argentina. The road building program is being pushed actively and provides an immediate market for highway construction equipment, and ultimately for an expansion of automobile sales.

American cotton brokers are active in Buenos Aires in a big way, confident that cotton growing is going to become a major farming business in the north (see page 48).

The government's grain storage plans are developing slowly. The first group of elevators, built with government co-operation, are completed, and contracts for the second series in the plan are soon to be let. Change in the bulk handling of grain, however, will necessitate improving the country's rolling stock, or at least lining the old cars. Most of Argentina's grain is sacked for shipment, but the chains of modern elevators are expected ultimately to provide for shipment in bulk, making shipping costs less and reducing the time required for handling.

Argentina would like to develop an off-season fruit market in the United States, but there are small hopes that it ever will become an important outlet. Rio Negro is developing a large and prosperous deciduous fruit area, all on irrigated land. Mendoza grapes are always good, though the farmers in this region have never been successful in fermenting a popular brand of wines. There is a drive in Buenos Aires now to popularize all these products in the home market.

Soviet Union

Third Five-Year program is ready for announcement in March. Soviet trains will boycott Manchukuo.

MOSCOW (Cable)—Your correspondent this afternoon learned from the State Planning Commission that the details of the third Five-Year Plan have already been worked out and will be announced in March.

The second Five-Year Plan, which was supposed to end in December of this year, has already been completed by many branches of industry, such as metallurgy, transport, and the food industries, with the others confident of fulfillment of their program by October when Russia will celebrate the twentieth anniversary of the founding of the Soviet government.

While imports of equipment for the second Five-Year Plan were from 35% to 40% smaller than for the first plan, according to the Commissariat for Foreign Trade, the third Five-Year Plan will be achieved with even smaller imports unless favorable credit facilities are made available abroad.

Pointing out that Russia's favorable trade balance during the last four years has reached \$400,000,000, to which must be added a huge increase in gold and silver production, and other sources of income, Commissar Rosengoltz reasserts that the Soviet Union now is a good risk and that the Kremlin would rather continue to follow its policy of making limited purchases abroad for cash than to pay a single penny above normal rates for foreign credits.

More rapid electrification, intensification of the housing program, further industrialization, and mechanization of

Two Cities in one . . .



The Market Place in Leipzig

AT the right, in the picture above, is the famous old Town Hall of Leipzig—rich in historical memories. In the foreground is the entrance to the thoroughly modern Underground Exhibition Hall, which twice a year houses exhibits of glass, porcelain, pottery, household and kitchen utensils, leather goods and novelties.

Leipzig is the home of the semi-annual, international Leipzig Trade Fairs. The Underground Hall is but one of the 42 Exhibition Halls and Fair Palaces needed to house the displays of 8100 manufacturers from 25 countries. Buyers and executives from 72 countries attend these Fairs; there were 238,000 of them in 1936. The Fairs are 700 years old; today they represent the world's most important international merchandising event.

In the *General Merchandise Fairs* (February 28 to March 5), the exhibits cover every line for the department store and the specialized store. In the *Great Engineering and Building Fair* (February 28 to March 8), there will be 2,500 exhibits of machinery (practically all in operation), equipment and manufacturing processes—for every industry.

These Fairs present the newest offerings of every civilized country. Whether you buy, or merely inspect, you cannot fail to build profits—simply by knowing what the whole world offers in your business.

Please write for Booklet No. 51. Tell us of your interests. We can help you plan in advance how to make profits out of this trip. Leipzig Trade Fair, Inc., 10 East 40th Street, New York City.

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TRADE FAIRS



FOR 700 YEARS
the world's
market place

agriculture will constitute the basic emphasis in the third Five-Year Plan.

J. P. Serebrovsky, who made himself famous as head of the gold trust, has been put in charge of non-ferrous metallurgy, and a special effort will be made to pull up the output in that industry which last year, though achieving a tremendous increase, failed to fulfill the quota set for it in the Plan.

Pledge Increased Output

Following a conference of 1,600 managers and technicians in the industry, and Serebrovsky's pep talk, the conference adopted a pledge to increase production of aluminum this year by 50%, double the tin production, raise nickel output 90%, increase molybdenum production almost three-fold, antimony two-fold, magnesium three-fold, tungsten by 80%, and mercury by 25%. How far the pledge will be carried out, time will show. It can't be forgotten that metallurgists who some time ago pledged to Stalin that their industry would produce 60,000 tons of steel daily have not exceeded 52,000, with coal production also continuing to lag.

According to the government newspaper, *Izvestia*, the lag primarily is attributable to the managers, and to their failure to overcome plant inefficiency.

The shortest route from Europe to Japan is across Russia to Manchukuo, and then over the old Chinese Eastern railroad, with a final very short stretch in Russia to enter Vladivostok.

It is significant that the Soviets this week discontinued joint service with the Manchukuo railroads. Europe-to-the-Orient passengers henceforth will be transported over the new stretch of transsiberian line running north of Manchukuo entirely within Soviet territory. This longer journey adds 30 hours to the time needed for the trip from Moscow to Tokyo.

Allegedly, this break with the Manchukuo lines is due to the mistreatment of Soviet railroad personnel by the Japanese, and to serious clashes at the border stations. Actually, Moscow is nullifying a part of the commercial value of the old Chinese Eastern line in Manchukuo, and making practical use of a new line built far to the north for defense purposes.

Canada

Air defense plans mean new investment in U.S. equipment. Courts rule against Ontario Hydro contract repudiation.

OTTAWA — Canada proposes to spend \$12,000,000 during the fiscal year beginning Apr. 1 on air defenses, \$6,000,000 more than is being spent during the present year. The additional money will purchase new planes, build air-

Fair Calendar
Europe's trade fairs attract buyers from all over the world, searching for new machines, novel products, or new merchandising ideas. This year, the spring fair calendar is headed by the great British showing at London and Birmingham; is followed by the centuries-old Leipzig Trade Fair—biggest of them all; and winds up with the spectacular Paris exhibition—Art & Technique in Modern Life—which opens in May. Here is a list of some of the larger fairs in which Americans will participate.

February 15-26
London and Birmingham, England
British Industries Fair
February 28-March 8
Leipzig, Germany
Leipzig Trade Fair
March 4-14
Lyon, France
International Fair
March 5-14
Prague, Czechoslovakia
International Spring Fair
March 7-13
Vienna, Austria
Vienna International Spring Fair, and
International Automobile Show
March 9-19
Utrecht, The Netherlands
Netherlands Fair, and International
Automobile Show
April 3-13
Basel, Switzerland
Swiss Sample Fair
April 7-21
Brussels, Belgium
International Brussels Fair
April 12-27
Milan, Italy
International Milan Sample Fair
April 30-May 10
Budapest, Hungary
International Fair
May 2-9
Poznan, Poland
International Sample Fair, and
International Automobile Show
May 1-October 31
Paris, France
International Paris Exhibition
"Art & Technique in Modern Life"
May 1-31
Belgrade, Yugoslavia
First Belgrade Fair
June 5-14
Ljubljana, Yugoslavia
International Spring Fair

dromes, increase operating personnel. Among defense planes to be ordered are 12 combat, 3 army cooperation, 7 flying boats, 24 bombers, 11 torpedo bombers, 18 coastal resistance, and 27 training.

Ottawa policy will be to encourage manufacture of planes in Canada, but it is expected many will be ordered in the United States. Buildings in connection with air defense will be erected in Nova Scotia, Ontario, and British Columbia. The permanent air force will be increased from 147 officers and 933 men to 195 officers and 1,498 men.

Expenditure on other branches of national defense, mainly in modernizing the army, will be increased from \$14,000,000 to \$22,000,000. Financial estimates for the fiscal year, including these appropriations, are now before parliament. Total ordinary outlay for the year is estimated at \$405,000,000, an increase of \$17,000,000 over last year. Public works outlay is cut \$1,000,000. Interest on the public debt will cost \$2,000,000 less than now.

Maturities Near Half Billion

Debt maturities during the fiscal year will total \$420,000,000. This includes treasury bills of various due dates amounting to \$150,000,000; school lands debentures due July 1, payable in Canada, \$33,000,000; the war loan due Dec. 1, and which also is payable in Canada, \$236,000,000.

Quebec companies holding concessions in natural resources are threatening to remove headquarters from Montreal to Toronto to escape Quebec's new law restricting bond and debentures issues to the real value of immovables. Premier Maurice Duplessis of Quebec answers that the law will stand and that companies will not avoid the effect of it. Purpose of the law is to provide greater security for investors in enterprises involving the development of public resources.

Next contemplated step in the economic experiment of Alberta's Social Credit government is full government control of the marketing of the province's farm products. The government import-export organization will buy Alberta farm products and pay with Alberta credit certificates and sell them outside the province for regular money. Surplus will be used to buy manufactured goods outside the province.

Utilities Continue to Win

Quebec power companies whose contracts with the Ontario Hydro Power Commission were repudiated by act of the Ontario legislature in 1935 continue to win judgments in Ontario courts upholding their contracts. The Ottawa Valley Power Co. secured judgment two weeks ago, Beauharnois Co. this week.

The courts hold the repudiation law was outside the power of the legislature. The cases will be appealed for final decision to the Privy Council in London, but Premier Hepburn declares whatever happens the contracts will not be honored, Ontario will not pay for power it did not use.

Various important interests, including the railways, are urging the federal government to revive the policy of encouraging immigration. With economic conditions returning to normal, increased population is being advanced as a principal requirement in the development of Canada.

JANUARY 23, 1937

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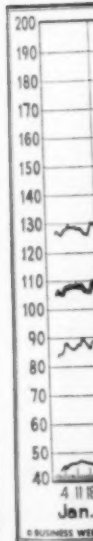
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Money and the Markets

Break in commodities is mainly ascribed to trading by ill-informed speculators. Utilities suffer because of Roosevelt's policy. But securities markets are heartened by favorable annual reports.

HANDSOME advances in commodity prices sooner or later can be counted on to attract sellers. Speculators, who had begun to think this market was all demand and no supply, found that out to their discomfiture early this week when a long list of staples had their first real setback in months.

A combination of factors precipitated the tumble. Strike news, a top-heavy speculative situation, expanded quotas in the cartel-controlled items, liquidation in London, the slightly less warlike aspect of European politics, and steadily rising margin requirements all had a hand in it.

But, in the final analysis, the participation of a lot of speculators who know little or nothing about commodities probably was the largest single factor. For, when stocks went dead in December, booming commodity prices caught the fancy of the get-rich-quick gentry. Margin trading was much cheaper in cotton, wheat, lard, copper, lead, cocoa, sugar, and the like than in stocks and that was a big incentive. Stories of the fabulous cleanup made by London speculators in metals and grains bowled over the untutored small fry.

Strikes Ignored

The result was a runaway market which was quite oblivious to a grave labor situation even though the securities markets clearly were tightening their belts for leaner days. Even when the motor strike broke, and its full seriousness as a commodity-demand divisor was apparent, this carefree joyride in commodities went ahead.

Those who had an eye to caution

must have taken warning from what happened in rubber. Two adverse pieces of news almost coincided—the international committee raised quotas for the first half of 1937 and the General Motors strike started. Inasmuch as the automobile industry consumes 75% of the rubber used in this country, the

situation for rubber was none too rosy. But the public was in the market and crude rubber futures were pushed up sharply to above 23¢ a lb. in the face of the news (BW—Jan 23, p 46). One of the most important longs in the New York market apparently took advantage of the bulge to shorten holdings—at least this house is reported to have liquidated heavily, despite declining prices, over the last fortnight. And nearby delivery months in the futures market slumped to a low of about 20½¢ on Tuesday.

Professionals Warned

To the seasoned commodity man, signals such as the rubber difficulty were conspicuous. Even though he knew rubber had overdone a good thing, and was in a vulnerable technical position, he knew too that if strikes spread they would have a similar influence on many other commodities. But the little fellow, who recently had deserted the stock market for this commodity bonanza, hadn't noticed rubber quotations and wouldn't have been able to interpret them in terms of, for example, metals, even if he had.

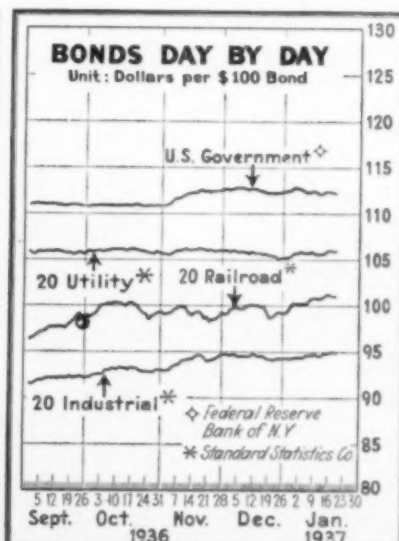
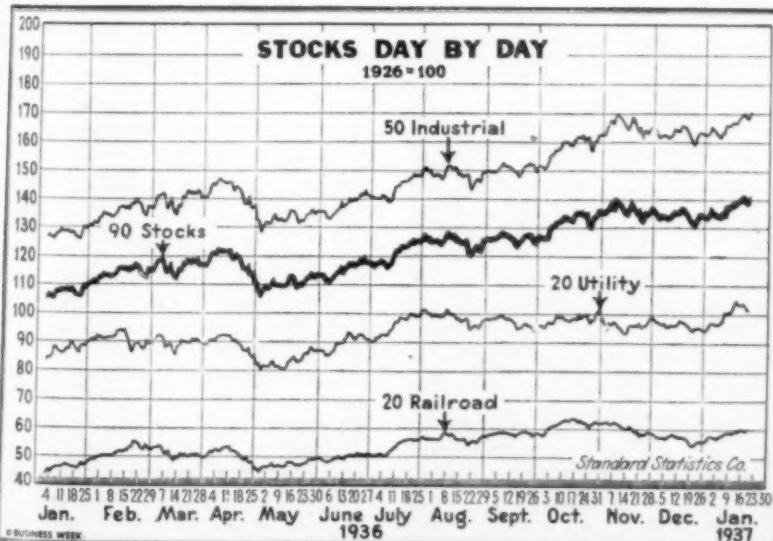
Nevertheless, the storm warnings had been out for weeks and a response was inevitable ultimately. A disturbance developed in copper shortly after the one in rubber. The riotous London market forced the domestic quotation up to 13¢. That compares with 9½¢ a year ago and most of the rise has come in the last two months.

Meanwhile, it had once again become profitable for domestic high cost producers to operate, and the foreign committee had removed all quota restrictions. The metal still was in a very strong statistical position—domestic output was slightly lower in December, supplies were cut more than 10,000 tons, and apparent consumption was up over 15,000. But demand was less in-

For More ICC Power

Builders of "rail empire" took it on the chin last week when the Senate committee investigating the Van Sweringen pyramid showed how holding company was piled on holding company with debt as the basic understructure. And this week O. L. Mohundo, an Interstate Commerce Commission examiner, reported to the commission that the New York, New Haven & Hartford lost \$330,700,000 by overreaching into other fields.

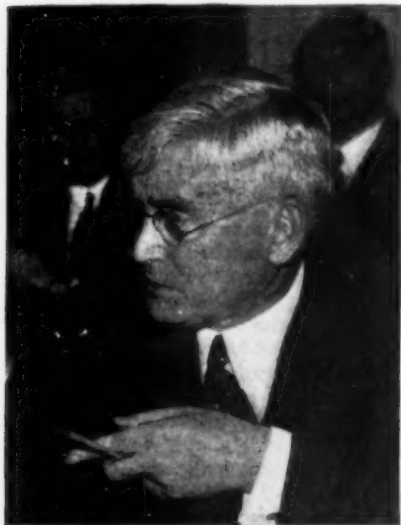
The examiner declared that if the New Haven had not made "outside investments" the road today would not be in bankruptcy, and concluded that the ICC should have power to limit and supervise a carrier's use of stockholders' money in making other investments.



sistent. This prompted what the trade calls second hands to become sellers. Those who had accumulated more metal than they need at 9½-11¢ a pound began offering fairly sizable quantities a quarter of a point under the 13¢ market

which refiners were quoting. The export price broke sharply from above 13¢ to 12½¢. And the copper futures market cracked in line with foreign quotations.

Quickly this trouble spread to other



ALLEGHANY ECHOES—J. M. B. Hoxsey (top) got about the only kind words the Wheeler railroad investigating committee has passed out to its Wall Street witnesses. Mr. Hoxsey, executive assistant to the New York Exchange's listing committee, in 1929 and 1930 had cast some doubt on propriety of listing securities of the Alleghany Corp., Van Sweringen holding company. Meanwhile, Sen. Wheeler was hammering Richard Whitney, former Exchange president, about stock bought 15 points under the market by Mr. Whitney and 16 others on the Board of Governors prior to listing deliberations. Center, Mr. Whitney (right) is greeted by Sen. Wheeler before being called to the witness stand. Below, William C. Potter (right), chairman of Guaranty Trust Co., and Joseph R. Swan, former head of Guaranty



Co., one-time securities affiliate of the bank, confer during a slow moment in the hearing. They admitted the securities house and the bank made a mistake in floating \$30,000,000 Cleveland Terminals Building Co. notes but denied knowing of speculation with the proceeds which, Sen. Wheeler charged, resulted in some weird inter-company transfers of securities by the late Van Sweringen brothers. Probers now are studying a trunkful of N. Y. Exchange documents.

Harris & Ewing photos



commodities and, although there was enough support to cause a mild rally at midweek, the recovery was not impressive.

The situation was intensified to some extent by a surprising break in egg prices which meant a saving of 5¢ a dozen to housewives and prompted the Department of Agriculture to buy for relief distribution. Experts had expected that, because of high feed prices, poultry would be dumped on the market in the fall and early winter and eggs would be scarce until next summer. But poultry marketings appear to have been below expectations and mild mid-winter weather minimized the drop in per-hen output customary now.

These diverse shocks, however, were only one side of the financial markets of the week. Anyone intent on finding good news (not so many try when prices are sloppy) would have had no difficulty in putting together an exhilarating budget. Steel operations are at the highest point of the recovery. U. S. Steel and Johns-Manville are launching big expansion programs; Pittsburgh Plate Glass settled its strike (which will help the motor car companies to keep running); cigarette and tire prices have been advanced; early sales of fertilizer have been impressive, testifying to the expanded farm purchasing, and January retail promotions have topped all expectations.

More than that, the securities markets found it hard to get downhearted when they were being treated to so many favorable annual reports. These statements on 1936 results, padded by better-than-anticipated fourth quarter profits, generally topped even the optimistic estimates of a couple of months ago. They show, of course, a retrospective view of business rather than a forecast, but the financial community still expects 1937 to top 1936 in most lines. So appraisals are formed on these 1936 figures, and this equation isn't conducive to much pessimism.

A.T.T. Earns Dividend

Most heartening of all the annual reports, probably, is the preliminary statement of American Telephone & Telegraph. Mother Bell shook from her heels the muck of four consecutive years of deficits (after dividends) which had resulted in an aggregate red ink figure of nearly \$141,000,000. In 1936 the Bell System earned the full \$9 dividend with 54¢ a share to spare on a consolidated basis; or, if A. T. & T. is considered alone, it received from its subsidiaries sufficient revenues to come out with net of \$174,715,000 or \$9.36 a share.

American Tel & Tel is the conspicuous example of a big company which dipped into surplus all through the depression and never reduced its dividend. When it once more covered its dividend

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one of the big milestones of the recovery was passed. Moreover fourth quarter earnings were at an annual rate of something over \$12 a share.

Statements like that of A. T. & T. did a good deal to buoy stock prices this week, but disappointment over the failure to settle the General Motors strike outweighed favorable factors. Moreover, the recently strong utility holding company shares took a dive on the latest Washington news. When President Roosevelt scuttled the TVA-utility peace conference and appointed a committee to draft a national power policy for federal projects, Wall Street foresaw a fight to the bitter end.

Bank Drops Scheme

Emigrant Industrial yields to New York State official on legality of bill-paying plan.

THE Emigrant Industrial Savings Bank (New York City) this week stopped taking budget savings accounts (in which it agreed to pay monthly bills—grocery, telephone, electric, etc.), and thereby capitulated in part to demands of the State Superintendent of Banks to desist (BW—Nov 14 '36, p. 25).

To other savings banks in the state it comes as somewhat of a blow. They had been eyeing the Emigrant scheme avidly—waiting to see how it would go over. Perhaps, if it went, they would try it out to meet the competition of no-minimum-balance checking accounts of commercial banks (BW—Sep 19 '36, p. 25).

But last week the state attorney-general ruled that the savings institution had no specific right to conduct the business—that it was a commercial banking function rather than a mutual savings bank prerogative. The Emigrant, after a series of executive conferences, then decided not to take additional deposits under the plan.

The plan made it possible to utilize more fully the extensive bookkeeping facilities of the institution. For each bill paid, the bank charged a fee of 5¢, out of which it hoped to make a clerical profit. Meanwhile, the matter is not closed. Some savings bankers may yet try to change the attitude of the banking superintendent.

Getting Ready?—Federal Reserve member banks last week dropped overboard \$28,000,000 of government obligations. They also parted with \$18,000,000 of other securities. Which may be one way of announcing to the Board of Governors of the Federal Reserve System that they are preparing for the much heralded but still chimerical boost in reserve requirements.

And the liquidation in some part accounts, undoubtedly, for the general

wishy-washiness of the government and corporate bond markets. Securities have a way of acting up—like a yearling in his first race—when there is a barrier ahead; this barrier is entirely incorporeal—the Board's decision.

Markets always get nervous at the unfathomable, at the mysterious. If the board decided to go through with a reserve requirement rise, bonds, both long- and short-term, might actually firm up. But, confronted with suspense, markets hardly know where to go.

He Called the Turn — When the New York Stock Exchange named J. M. B. Hoxsey to the Committee on the Stock List, it marked an innovation. It was the first time one who was not a member of the Big Board had been named to a committee and it honored Mr. Hoxsey for his long service as executive assistant to the stock list group.

But, in Washington a couple of days later, this same Mr. Hoxsey was held up as the man whose foresight had eclipsed that of the full membership of the committee when, in 1929 and 1930, the exchange was asked to list Allegheny Corp. securities. The committee, as a matter of record, approved the listing, but not until after it had been cautioned by its executive assistant.

The Wheeler subcommittee investigating railroad financing methods for

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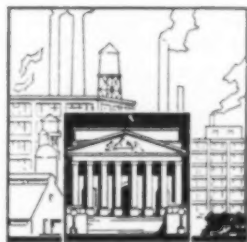
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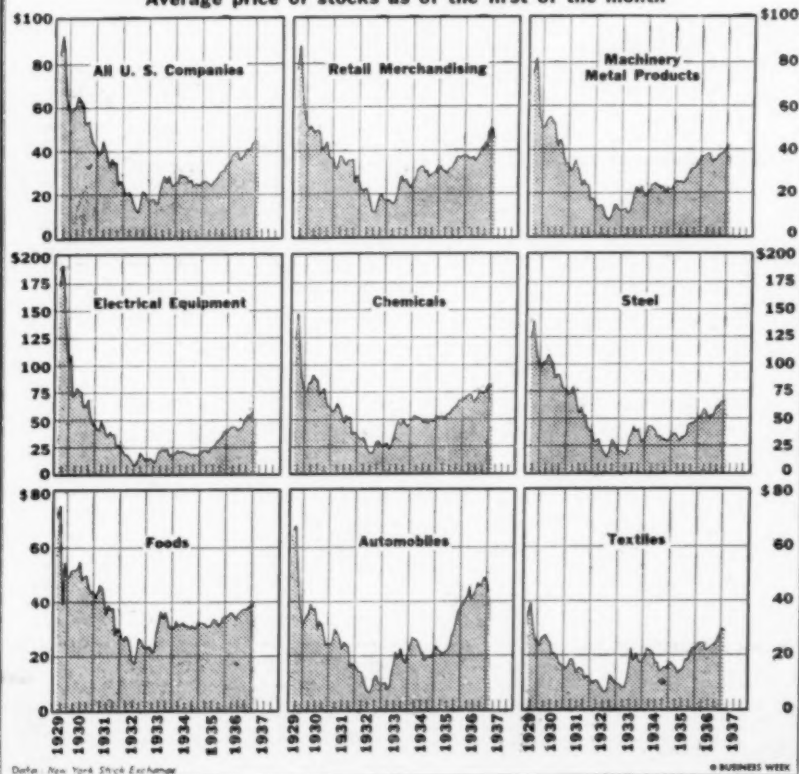
INVESTMENT BANKING

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NEW YORK CITY

STOCK TRENDS BY MAJOR GROUPS

Average price of stocks as of the first of the month



the Senate subpoenaed a letter to the committee from Mr. Hovey. Noting that the common stock of Allegheny was nothing more than an equity in an equity (the Van Sweringen holding company's assets were mainly railroad common stocks) the letter said:

"If corporations of this type are multiplied, there is likely to be a strong public protest. This protest will, I think, occur if it should become apparent that any large part of the industry of the country is virtually controlled through minority holdings, and is likely to be accentuated in cases where, as in this instance, the control of the holding company is held by a relatively small minority of the holding company's total investment."

That is just the type of protest the Van Sweringen setup is now encountering. So the man who called the turn in 1930 (although he did not then recommend against the listing) is made a member of the committee in 1937.

Gay, But Not Rash—New York Stock Exchange President Charles R. Gay has burst into print again. This time he writes member firms, stressing their responsibility to warn the public that "we live in a loss as well as a profit economy"—that securities don't always go up. This follows Mr. Gay's warning, given direct to the public, that playing with "penny" stocks is like fooling with a wildcat.

The exchange chief, who has achieved renown for his public relations campaign during 20 months in office, urges that "enlightened self-interest requires us to subordinate all personal and other considerations to the welfare of the exchange. . . . To speak about the possibility of gain and to be silent on the possibility of loss leaves half the story untold."

Which, obviously, is very sound sense. But picture Mr. A., customers' man, saying to Mr. B., margin client: "American Flag & Bunting common looks like a good buy. Nice company, good management, fine record. But don't forget that business has its ups and downs. You wouldn't be so happy if you bought on margin and the market cracked up."

Tail Wags Dog—Crude oil refinery operations are turning hind-side foremost. Usually refining is tuned to demand for gasoline, with production of fuel oil, kerosene, paraffin, and the like largely incidental. But right now the demand for fuel oil and kerosene is at record levels. Gasoline consumption is in the familiar midwinter decline.

Pressure for fuel oil deliveries has kept refineries running full tilt. The result is that gasoline is going into storage—much as though it were the by-product—with stocks rising 1,455,000 bbl. for the week ended Jan. 9.

Editorially Speaking—

The Yale faculty has suppressed a new student magazine, the *Campus Cop*, on the ground that Yale has enough magazines already. Why not let the boys keep on trying till they produce a good one?

At the recent Motor Boat Show, in New York, the magazine *Yachting* had an exhibit, which included a large number of books. They were all about yachting, except one. Right in the middle was "Gone With the Wind." This would have been an appropriate title for an exhibit at a sailboat show.

AFTER extensive researches in the history of Yucatan, H. E. D. Pollock reports to the Carnegie Institution that the Maya depression lasted 400 years. For a while, at the beginning, there must have been some old-timers who went around and said, "Why, this is nothing to the depression we had when I was just starting in business." And some of them stuck to that story till their dying day.

The years and decades went by, and the people got pretty gloomy. But they picked up again during the world's fair, A Century of Depression, which coined the slogan, "The first hundred years are the hardest."

We see by the papers that Queen Elizabeth's father, Lord Strathmore, has never been a society man. He likes to put on rough tweeds (no smooth tweeds being available, probably) and potter about his 24,700 acres. That might take quite a bit of pottering.

As for Lady Strathmore, "fond of cooking, happiest when arranging her flowers, she is considered a typical Scottish housewife." Just a typical Scottish housewife on a little place of 24,700 acres.

THE Columbia Broadcasting System has published a large, handsome, costly, board-bound, 15-page book, "The Very Rich." It seems Columbia wanted to check up on the habits and characteristics of rich Bostonians. "We thought of Boston," says Columbia, "because we wanted a pure culture of the very rich. Here is the last stronghold of American aristocracy. Where traditions are stronger. Where social barriers are higher. Where class distinctions are drawn to their very finest." So, shaking in its shoes, Columbia checked up. It poked the trembling nose of a research bureau into the frozen fortress of the Back Bay bluebloods. And it learned that they averaged three radios a family; 18% of the families had five radios, and there were two families with 14. Probably

they drew their class distinctions so fine that nobody in the house would talk to anybody else, so each had to have a radio in his own suite.

THE Actors Equity Association has decided that hereafter any applicant for membership who has the same stage name as any present member may be required to change it, even if it's his real name. Thus, if some actor changed his name a few years ago from plain John Burns to something fancy, like Wilfred Essex, and if a young actor comes along whose real name is Wilfred Essex, he can't join Equity unless he adopts some other name for the stage.

Does this rule sound tyrannical? Well, the Barrymores aren't Barrymores. They're Blythes. But if some actor whose real name is Barrymore starts calling himself Barrymore on the stage, the Blythes who call themselves Barrymore are injured. So the only way to horn in on the stage name Barrymore is by being a woman and marrying a Blythe. It's been done.

FROM an announcement of a government auction: "This material is offered and sold 'as is,' 'where is,' 'if is,' without recourse." Our Washington Bureau explains that the "if is" phrase "protects the government against the possible non-existence of any item at the time of its sale." What could be more exciting than an auction of non-existent items?

HARPER SIBLEY says it's a bad thing for business men to say war is coming. They're supposed to forget the war in China, which is still going on and may get worse any time; the war in Ethiopia; the army officers' rebellion in Spain where foreign intervention has produced something that looks like war but of course it isn't, because war isn't coming and war doesn't exist, and all that business men should do is demand a redistribution of raw materials in order to soothe the aggressor governments by enabling them to speed up their rearmament programs so that they can make the war worse if it does come, but of course it won't come, so why not give them the raw materials and help them get ready for the war that won't come?

PACING hither, pacing thither, the Gentleman on the Fiscal Desk nearly wore a track through the carpet. The caged tiger in the zoo couldn't have put on a more tireless performance. "What's the matter?" we asked gently. He raised his careworn forehead. "I've lost \$40,000,000 out of the federal budget and I can't find it!"

Sightseeing WITH BAKELITE^{*} *Automobile Industry*

Continued from page 28



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BUSINESS WEEK

The Journal of Business News and Interpretation

JANUARY 23, 1937

President and Business

It was natural and proper that President Roosevelt, in his inaugural address, should have recalled the day, less than four years earlier, when he took his first inaugural oath. That day is still vivid in the minds of millions who heard his voice on both occasions, and who remember with what a profound sense of relief they witnessed his able acts of leadership in the bank crisis. The country has come a long way since March 4, 1933, and much of its progress is undoubtedly due to President Roosevelt.

Democracy, as he says, triumphantly demonstrated its effectiveness in a difficult time. The American people followed their new President with a loyalty never equaled in all their history. But differences of opinion gradually arose, and these became greater as the President drove forward with his elaborate program of reform legislation and his complicated mechanism of administrative control.

Nevertheless the worst of the depression was overcome. "The times were on the side of progress," says Mr. Roosevelt. By "progress" he means his reform measures that "became imperative under the goad of fear and suffering." But may not his statement be true in a wider sense? The times were on the side of progress in the economic life of the nation. The times were on the side of recovery. When the bank crisis was over, when financial confidence was restored, a natural recovery began. Some of the President's measures, we think, helped it, but some of them impeded it. He cannot reasonably claim the full credit for recovery. The times were on the side of progress.

Now, at the beginning of his second term, he declares his resolution to drive ahead with intensified control of business by government. In brief statements that are skillfully scattered through his speech, he hints that the people "will demand" that the Supreme Court interpret the vague "general welfare" clause of the Constitution as a specific grant of power, by virtue of which Congress may stretch out its hand and regulate business in every corner of the country.

Most business men do not concur in this interpretation or approve this program. But they will recognize the truth of the President's statement that business is not behaving faultlessly during the recovery period. "Dulled

conscience, irresponsibility, and ruthless self-interest," he says, "already reappear."

It is true, and it is a clear warning. One of the chief dangers to business is that we are entering a sellers' market. In such a market it is easy for business to grow lax in its dealings with labor, customers, and the general public. Sellers' overconfidence led to arrogant acts that created ill will during the commodity shortage of 1919 and 1920 and during the late 20's. Then came the depression, which left deep scars that are not healed yet. Business must remember these things and not let increasing prosperity lull it into overconfidence and a disregard of the rights of others.

Patman's Patent To Put Prices on Ice

Rep. Patman marches on. Not content with the Robinson-Patman Act and the various state price-fixing acts, he now proposes a federal act "allowing"—that is, forcing—manufacturers to fix minimum resale prices.

Mr. Patman would accomplish this result by an amendment to the Trademark Law. Any holder of a trademark would be "allowed" to file minimum prices at the Patent Office—and we can imagine the Patent Office rubbing its head and wondering what this information has to do with patents. Any distributor who sold trademarked goods below the filed prices would be considered to have violated the trademark, and could be sued on that account. The trademark holder who had filed minimum prices would be forbidden to grant special discounts, advertising allowances, or bonuses.

Such payments might be commercially justifiable, as incentives to special sales efforts. No matter; Mr. Patman forbids them. He makes no provision for distress selling. He pro-

vides for nothing but rigid prices. Trademark holders would be forced to file price schedules, because otherwise thousands of distributors would boycott them. Prices would be fixed by distributors would get a good margin of profit on all sales. But a frozen price system, a paternalistic prohibition of true competition, would dull American initiative, force prices beyond people's reach, cripple sales, and leave distributors worse off than ever.

With 20% of Income, They Pay 80% of Taxes

Everybody who received a salary of \$15,000 or more from any corporation in 1935 has just been put in the goldfish bowl, at the annual goldfish exhibition conducted by Congress. Since Congress thinks so much publicity is wise for others, it ought to try complete publicity for itself.

Every member of either house is paid a salary of \$10,000, together with other perquisites; and nearly all have enough private income to bring their total remuneration to \$15,000 a year. Why not make public the complete income return of every member of Congress? No doubt they are all honest men, but in the not-too-distant past more than one member would have jumped out of a window if his complete return had been published.

As to the annual goldfish report, it is a good deal less truthful than it seems. For the goldfish do not get as much as the report says. Their income taxes must be deducted from their salaries. Take Mae West, who is almost at the head of the list, with \$480,833. Our taste in movies being what it is, we don't begrudge her a cent of it. But she doesn't get \$480,833. After deducting state and federal income taxes, her net salary is \$155,050. To publish the gross salary of any high-salaried person is to mislead the reader.

Nobody knows how much of the total tax burden is carried by people with salaries of \$15,000 or more; but the facts are available about the people who in 1935 had net incomes of that amount, from all sources. Their net income was 19.5% of all net taxable income reported. But they paid 79.7% of the total income taxes. That fact should be emphasized.

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